

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

PREPARED BY:

FINANCE DEPARTMENT

PAUL HOYE
Finance Director

Member GFOA of U.S. and Canada
Published May 23, 2014

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INTRODUCTORY SECTION

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF FAIRMONT – P.O. Box 751 – 100 Downtown Plaza – Fairmont, MN 56031
www.fairmont.org ♦ citygov@fairmont.org

Phone (507) 238-9461

Fax (507) 238-9469

May 23, 2014

Honorable Mayor and City Council
City of Fairmont
Fairmont, Minnesota 56031

Honorable Mayor and City Council:

In accordance with the City Charter and State law, I hereby transmit this detailed Comprehensive Annual Financial Report of the City of Fairmont for the year ended December 31, 2013.

Management believes that the data as presented is accurate in all material aspects; and that it is presented in a manner designed to fairly set forth the financial position of the City.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City has placed an emphasis on and has been re-evaluating its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The report has been prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers Association of the United States and Canada, the American Institute of Certified Public Accountants and the State Auditor's Office of the State of Minnesota, as required by Minnesota Laws 1978, Chapter 787.

Preparation of this report could not be accomplished without the dedicated effort of the Finance Department and support services staff. Their efforts towards upgrading the accounting and financial reporting system of the City have led substantially to the improved quality of information being reported to the City Council, State and Federal agencies, investors and creditors and the citizens of the City of Fairmont.

Respectfully submitted,

City of Fairmont

Mike Humpal, CEcD
City Administrator

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Encls.

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May 23, 2014

To The Honorable Mayor and City Council
City of Fairmont
Fairmont, Minnesota 56031

Honorable Mayor and City Council:

Submitted herewith is the Comprehensive Annual Financial Report of the City of Fairmont, Minnesota (the City), for the fiscal year ended December 31, 2013. This report was prepared by the City's Finance Division. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, supporting schedules and statistical tables rests with the City. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (GAAP) require management provide a narrative introducing overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. It includes all activities considered by generally accepted accounting principles to be part of (controlled by or dependent on) the City. This report also includes activities of the Fairmont Economic Development Authority.

Independent School District 2752 is an independent district and not part of the City. Financial data for it is not included in the financial statements in this report. Audited financial statements for the district are available upon request at its business office in Fairmont.

The Housing and Redevelopment Authority of Fairmont (HRA) is considered to be a separate government. The City does not review or approve the budget. Financial data for it is not included in the financial statements in this report. Audited financial statements are available upon request at its business office in Fairmont.

The pension fund for Fairmont's Volunteer Fire Department is administered through their relief association. This association is self-governing with their own Boards of Trustees, by-laws, and officers. Financial data for the pension fund is not included in the financial statements in this report. A financial statement and actuarial information are available upon request.

The City provides the full range of municipal services prescribed by statute or charter. This includes public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning and general administrative services. The City also provides enterprise activities including electricity, water and sewer, parking lots, and operates a municipal off sale liquor store.

BUDGETARY CONTROL

Budgetary control is maintained in compliance with the City's Charter requirements. The budget process is focused on the balancing of anticipated revenues and appropriations. The flexibility needed to control and protect the various funds comes from a monthly monitoring of the accounting records to show adequate revenue sources for anticipated expenditures. This monthly monitoring process prevents expenditures from being approved until it has been determined that adequate funds were appropriated, the expenditure is necessary and there are adequate funds available for support.

ECONOMIC CONDITION AND OUTLOOK

- The City of Fairmont is located along the southern border of Minnesota at State Highway 15 and Interstate I-90 in a largely agricultural area. Although the population declined slightly over the last ten years, the number of households has increased. The economy of Fairmont consists of light industry and commerce. The industries are diversified between food processors, plastics, rail equipment, and a variety of other products. The local agricultural economy has been boosted by a major expansion into Fairmont by CHS, Inc. The construction and operation of the soybean crushing facility in Fairmont has significantly increased the value of the local soybean crop. The state's first 100 million gallon ethanol plant has been constructed in Fairmont. This facility will significantly raise corn prices for area farmers and has created 57 new jobs. The City's financial base is currently sound with taxable market values increasing 3.6% in 2013 with the majority of this coming from increased agricultural values. With the retirement of a larger TIF District in 2012 and continued development within the City, we expect to see a slight increase in valuation in 2014. Unemployment rates have remained below average compared to the national level at 5.7% compared to 5.4% for Minnesota and 6.8% nationally. The health care industry in Fairmont is providing significant support for our economy. In addition to the Mayo Health System, the Center for Specialty Care is thriving and Dulcimer Medical Center continues to grow and add staff.
- Long term financial planning is a very important function of the City. The City has established a general fund balance of 55-65% of expenditures and has consistently been above this limit. This has allowed the City to continue to fund capital expenditures without issuing debt or raising taxes. It has also given the City a cushion for economic changes that are outside its control. The favorable fund balance has also been a positive factor in the City's bond rating.
- The City Council has also developed a new program of eliminating blighted housing within the City. Starting in 2008 the City had a goal to budget \$42,500 per year which would clean up five properties a year. Not only will this program help with the aesthetics of the City, it will maintain and increase valuations within the City.

MAJOR INITIATIVES

For the year –

Southern MN Municipal Power Agency (SMMPA) has constructed a 25 megawatt electric generation facility at the site formerly owned and utilized by the City of Fairmont for power generation. This project is an investment of over \$30,000,000 by SMMPA. This project will employ 3-4 employees year-round. Demolition began the summer of 2011 with the plant becoming operational in the fall of 2013. SMMPA generates and sells reliable wholesale electricity to its eighteen non-profit, municipally-owned member utilities, and develops innovative products and services to help them deliver value to their customers.

Fairmont Area Schools completed construction of a 50,000 square foot addition to the existing Five Lakes Elementary school. This addition will consolidate all students from early childhood through 6th grade at one campus. The residents of the school district approved a \$15,000,000 referendum in 2010 to make this project a reality. Fairmont Area Schools has an enrollment of approximately 1,700 students K-12.

The City of Fairmont has completed construction on a 40,000 square foot water treatment facility. This improvement has a construction cost of \$28,000,000. This improvement will be paid for through user charges and the City's water quality will be improved as a result of the upgrade. The City has received a low interest rate loan (G.O. Water Revenue Bond) from the Public Facility Authority of the State of Minnesota. As part of the school's consolidation mentioned above, the City has demolished a facility vacated by the school district at the site of the new water treatment plant. The existing water treatment plant has been removed and a park along the lake will be left in its place.

The City completed the construction of a new sports complex that consists of 3 lighted softball fields, 1 lighted baseball field, 2 paved parking lots, and a combination restroom/concession building with a total project cost of \$1.9 million.

For the future –

Infrastructure improvement continues to be a community priority. Nearly \$2.1 million of street improvements and \$350,000 in lake channel improvements are planned for 2014. The City Council held a goal setting session in 2013 to set improvement goals for the upcoming year. Projects include improvements to the City park and trail systems including new playground equipment for Ward Park and an irrigation system for Winnebago Ball Diamonds. The Council also allocated funds to continue a program of eliminating blighted housing within the community.

With the projected loss of \$105,210 in local government aid in 2015, it is going to be a challenge to maintain service levels without increasing taxes. The City continues to explore all avenues that will meet the increasing demand for services while controlling the costs associated with the delivery of those services to its citizens.

INTERNAL ACCOUNTING CONTROLS

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- 1) the safeguarding of assets against loss from unauthorized use or disposition, and;
- 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- 1) cost of the control should not exceed the benefits likely to be derived, and;
- 2) evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

FINANCIAL POLICIES

The City has set a general fund balance requirement in the range of 55-65% of General fund expenditures. The City has consistently been able to maintain fund balances within or above this range and as of December 31, 2013 the General fund balance was 62% of General fund expenditures. Council and staff feel that it is important to maintain these balances which will help the City maintain its Aa2 rating with Moody's reducing future borrowing costs, allow for unforeseen expenditures and act as an insurance policy for future State aid reductions

Financial planning for the City of Fairmont is also based upon the five year Capital Improvement Program. The Capital Improvement Program is reviewed and updated each year during the budget process. The Capital Improvement Program includes projects for which the City must issue debt and/or assess portions of the cost to adjacent or benefited property owners. Because the Council has set limits upon the funds available each year and the City does not wish to issue excessive amounts of debt, these projects need to be reviewed annually, and on occasion reprioritized.

INDEPENDENT AUDIT

State law requires an annual audit of the City's financial records and transactions supporting the financial statements. This requirement has been complied with and the auditors' opinion has been included in this report.

The accompanying financial statements have been examined by Abdo, Eick & Meyers, LLP independent certified public accountants. The firm is engaged by the City Council to render an opinion on the City's financial statements in accordance with generally accepted auditing standards.

The City Council is responsible for:

- 1) assuring that the City administration fulfills its responsibilities in the preparation of the financial statements, and;
- 2) engaging the independent public accountants with whom the City Council reviews the scope of the audits and the accounting principles to be applied in financial report.

To ensure complete independence, Abdo, Eick and Meyers, LLP has full and free access to meet with the City Council to discuss the results of their audit and their assessment of the adequacy of internal accounting controls and the quality of financial reporting.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in financial reporting to the City of Fairmont for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Fairmont has received a Certificate of Achievement for the last twenty (22) consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without efficient and dedicated services of the entire staff of the Finance Department and support services staff. I would like to express my appreciation to all members of the departments who assisted and contributed to its preparation. I would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

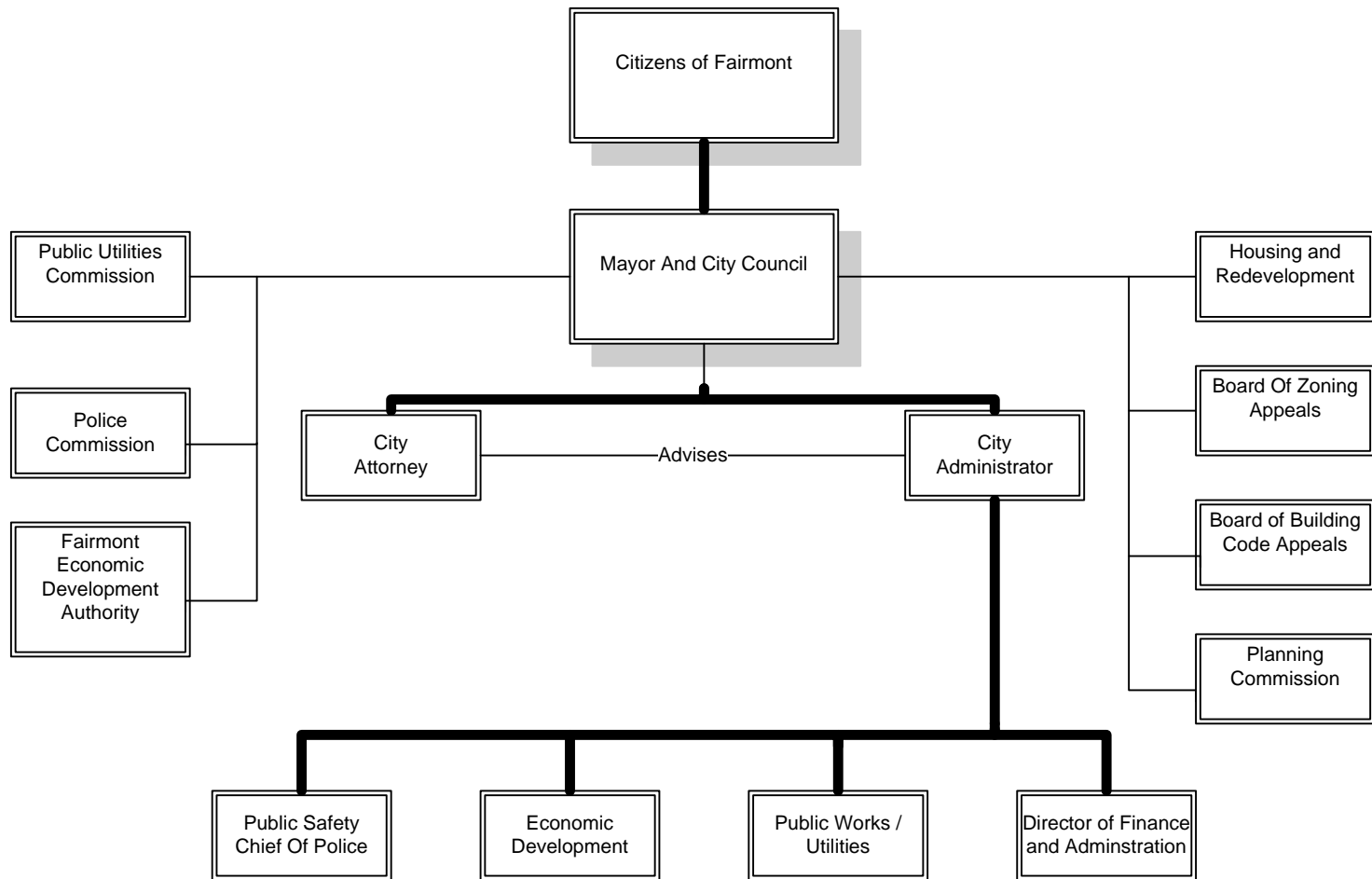
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul Hoyer".

City of Fairmont
Paul Hoyer
Finance Director

CITY OF FAIRMONT
FAIRMONT, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Randy Quiring	12/31/14
Council Members	Chad Askeland	12/31/16
	Joe Kalemeyen	12/31/14
	Terry Anderson	12/31/14
	Wes Clerc	12/31/16
	Darin Rahm	12/31/14
City Administrator	Michael Humpal	
Finance Director	Paul Hoyer	
City Clerk	Patty Monsen	
Director of Public Works and Public Utilities	Troy Nemmers	
City Attorney	Elizabeth W. Bloomquist	
Chief of Police	Greg Brolsma	





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fairmont
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

FINANCIAL SECTION
CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Fairmont, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 9, 2013, we expressed unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedule of Funding Progress on page 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

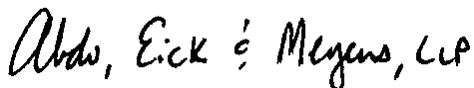
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections and the combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 23, 2014

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Management's Discussion and Analysis

As management of the City of Fairmont, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$101,473,062 (*net position*). Of this amount, \$19,753,816 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,873,032, compared to an increase of \$3,925,319 in the previous year. The increase in net position is attributed to capital grants and contributions and continued strong performance of the City's enterprise funds specifically the Water, Wastewater, Electric and Municipal Liquor funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,928,632 an increase of \$693,774 in comparison with the prior year. This increase is the result of capital grants received for the Airport in 2013 reimbursing expenditures from 2012. Unassigned fund balance at year end is \$3,214,818. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$208,200), 2) restricted (\$12,731,158), 3) committed (\$739,747), or 4) assigned (\$3,034,709) for the purposes described in Note 3F in the notes to the financial statements.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,225,036, or 43.7 percent of total General fund expenditures.
- The City's total debt increased by \$7,027,602, or 14.4 percent during the current fiscal year. The key factor in this increase was the issuance of \$10,181,602 in new long-term debt and the retirement of long-term debt of \$3,154,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City’s Annual Financial Report

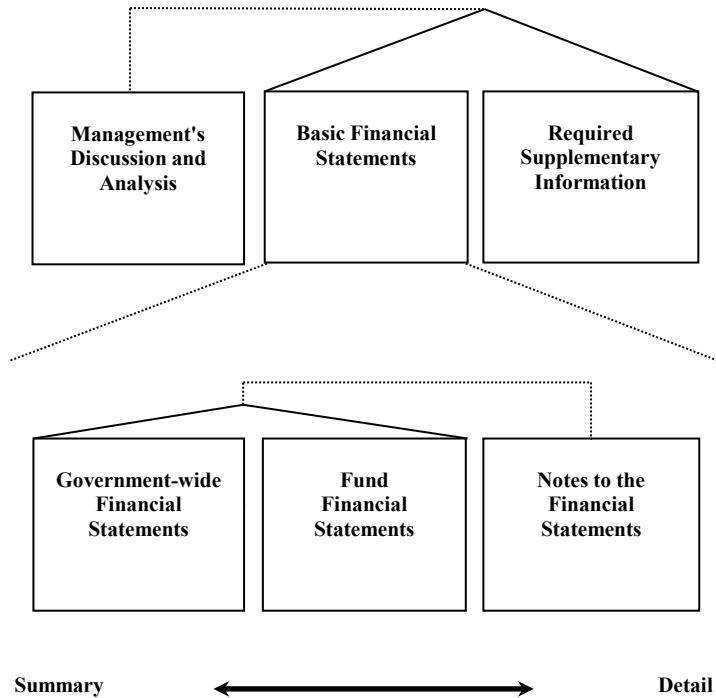


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, sanitation and waste removal, housing development, economic development, and culture and recreation. The business-type activities of the City include electric, water, wastewater, and storm sewer utilities. They also include a municipal liquor store and off street parking.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Fairmont Economic Development Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 37 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental fund. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 29 individual governmental funds, 11 of which are Debt Service funds, which are reported as one fund for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service, and Airport Reconstruction Project funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 43 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, wastewater, storm sewer, liquor store and parking lots. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance of its fleet of vehicles, for its management information systems, and self-insurance funds. Because all of these services benefit both governmental and business-type functions, they have been allocated between the *governmental activities* and the *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 48 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 68 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 69 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund financial statements and schedules can be found starting on page 105 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$101,473,062 at the close of the most recent fiscal year. By far, the largest portion of the City's net position (70.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Fairmont's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Current and other assets	\$ 25,390,026	\$ 25,204,652	\$ 185,374	\$ 14,457,209	\$ 13,538,134	\$ 919,075
Capital assets	52,924,727	47,874,392	5,050,335	68,510,850	61,995,453	6,515,397
Total assets	78,314,753	73,079,044	5,235,709	82,968,059	75,533,587	7,434,472
Long-term liabilities						
outstanding	20,859,310	20,400,996	458,314	36,327,588	29,569,019	6,758,569
Other liabilities	930,429	1,222,947	(292,518)	1,692,423	2,819,639	(1,127,216)
Total liabilities	21,789,739	21,623,943	165,796	38,020,011	32,388,658	5,631,353
Net position						
Net investment of						
capital assets	38,956,915	33,902,134	5,054,781	32,805,088	33,021,655	(216,567)
Restricted	9,957,243	8,523,280	1,433,963	-	-	-
Unrestricted	7,610,856	9,029,687	(1,418,831)	12,142,960	10,123,274	2,019,686
Total net position	\$ 56,525,014	\$ 51,455,101	\$ 5,069,913	\$ 44,948,048	\$ 43,144,929	\$ 1,803,119

An additional portion of the City's net position (9.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (19.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$5,069,913. The primary reason for the increase in net position was a result of the increase in capital grants and contributions for Lair Road Bridge and airport reconstruction projects. Key elements of this increase are as follows:

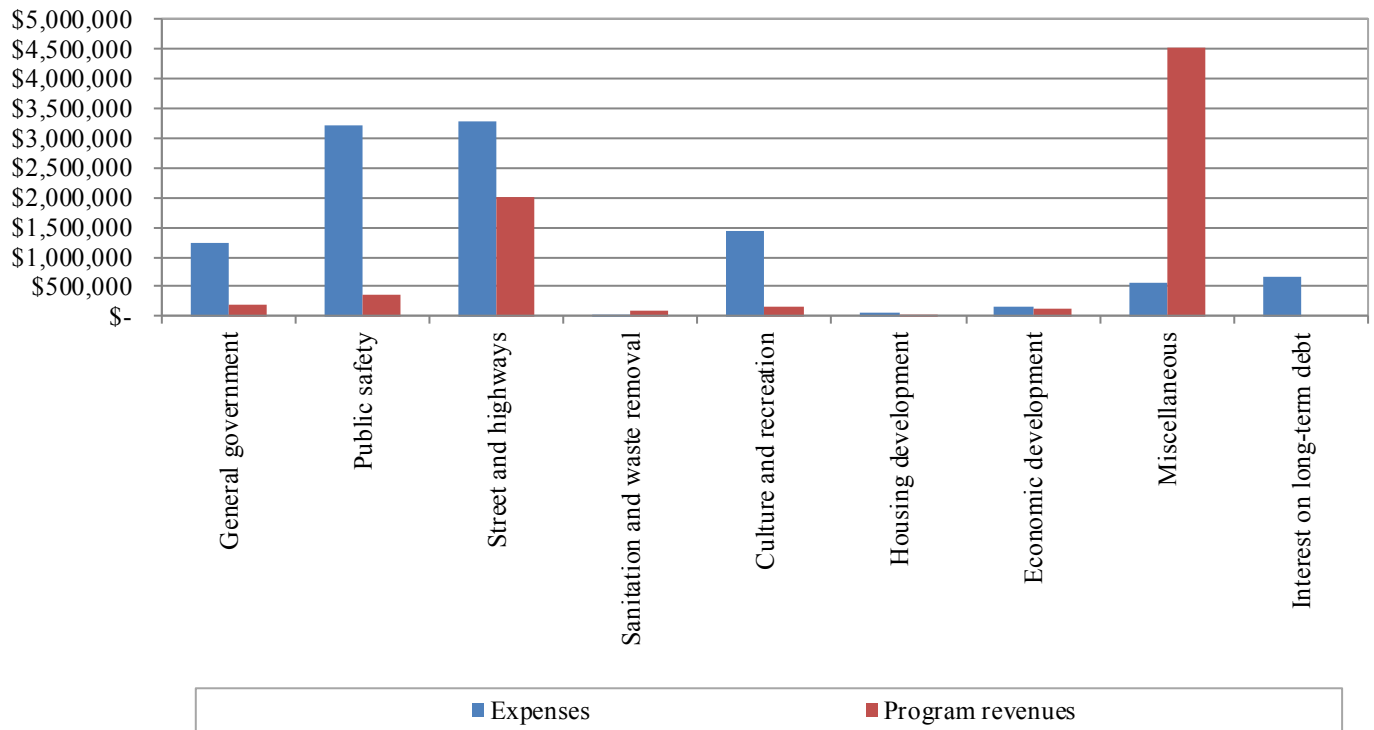
City of Fairmont's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 966,959	\$ 763,607	\$ 203,352	\$ 24,557,338	\$ 24,152,704	\$ 404,634
Operating grants and contributions	407,550	662,907	(255,357)	-	-	-
Capital grants and contributions	6,144,669	1,250,688	4,893,981	200,172	801,928	(601,756)
General revenues						
Property taxes/tax increments	3,128,768	3,372,646	(243,878)	-	-	-
Other taxes	36,205	34,343	1,862	-	-	-
Grants and contributions not restricted to specific programs	3,918,992	3,822,810	96,182	-	-	-
Unrestricted investment earnings (loss)	(13,861)	144,537	(158,398)	37,807	56,972	(19,165)
Other	20,045	92,017	(71,972)	-	-	-
Total revenues	14,609,327	10,143,555	4,465,772	24,795,317	25,011,604	(216,287)
Expenses						
General government	1,226,415	1,179,100	47,315	-	-	-
Public safety	3,210,448	2,880,151	330,297	-	-	-
Streets and highways	3,286,029	2,853,511	432,518	-	-	-
Sanitation and waste removal	11,916	10,274	1,642	-	-	-
Culture and recreation	1,451,745	1,324,605	127,140	-	-	-
Housing development	76,316	138,287	(61,971)	-	-	-
Economic development	156,973	384,968	(227,995)	-	-	-
Miscellaneous	573,647	302,744	270,903	-	-	-
Interest on long-term debt	674,487	959,710	(285,223)	-	-	-
Electric	-	-	-	13,984,812	14,199,539	(214,727)
District heat	-	-	-	-	-	-
Water	-	-	-	2,674,540	1,931,755	742,785
Wastewater	-	-	-	1,932,952	1,810,984	121,968
Storm sewer	-	-	-	367,738	299,870	67,868
Liquor	-	-	-	2,898,764	2,931,921	(33,157)
Parking lot	-	-	-	4,830	4,905	(75)
Total expenses	10,667,976	10,033,350	634,626	21,863,636	21,178,974	684,662
Change in net position before transfers	3,941,351	110,205	3,831,146	2,931,681	3,832,630	(900,949)
Transfers	1,128,562	960,116	168,446	(1,128,562)	(977,632)	(150,930)
Change in net position	5,069,913	1,070,321	3,999,592	1,803,119	2,854,998	(1,051,879)
Net position - January 1	51,455,101	50,384,780	1,070,321	43,144,929	40,289,931	2,854,998
Net position - December 31	\$ 56,525,014	\$ 51,455,101	\$ 5,069,913	\$ 44,948,048	\$ 43,144,929	\$ 1,803,119

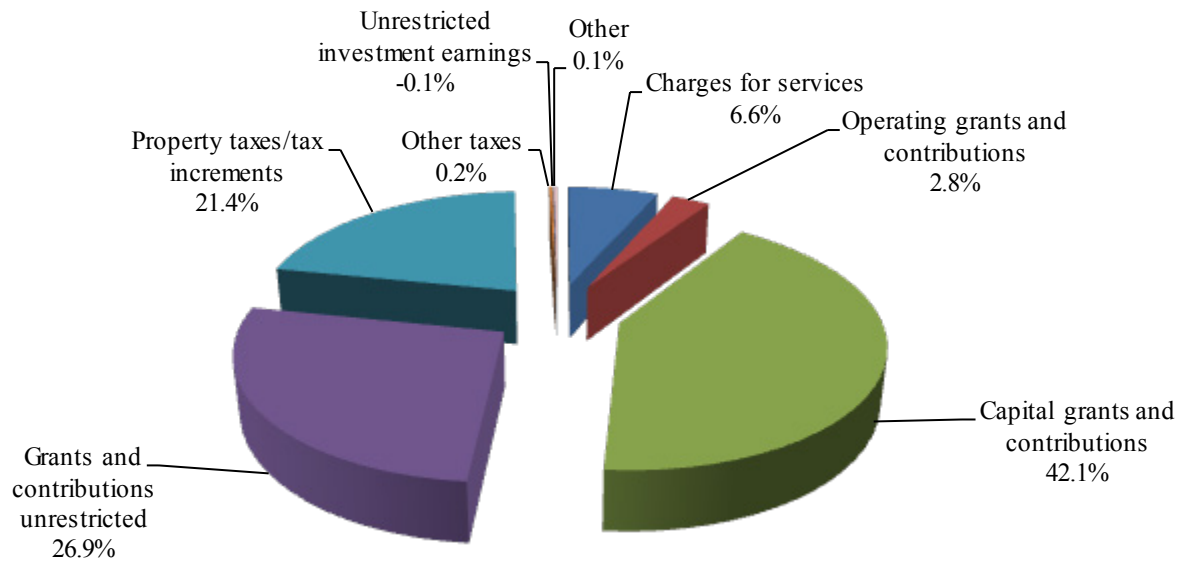
Property tax levies increased by 5.3 percent during the year. The increase was used for operating costs, capital replacement and set aside for future capital replacement in the General fund.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues – Governmental Activities



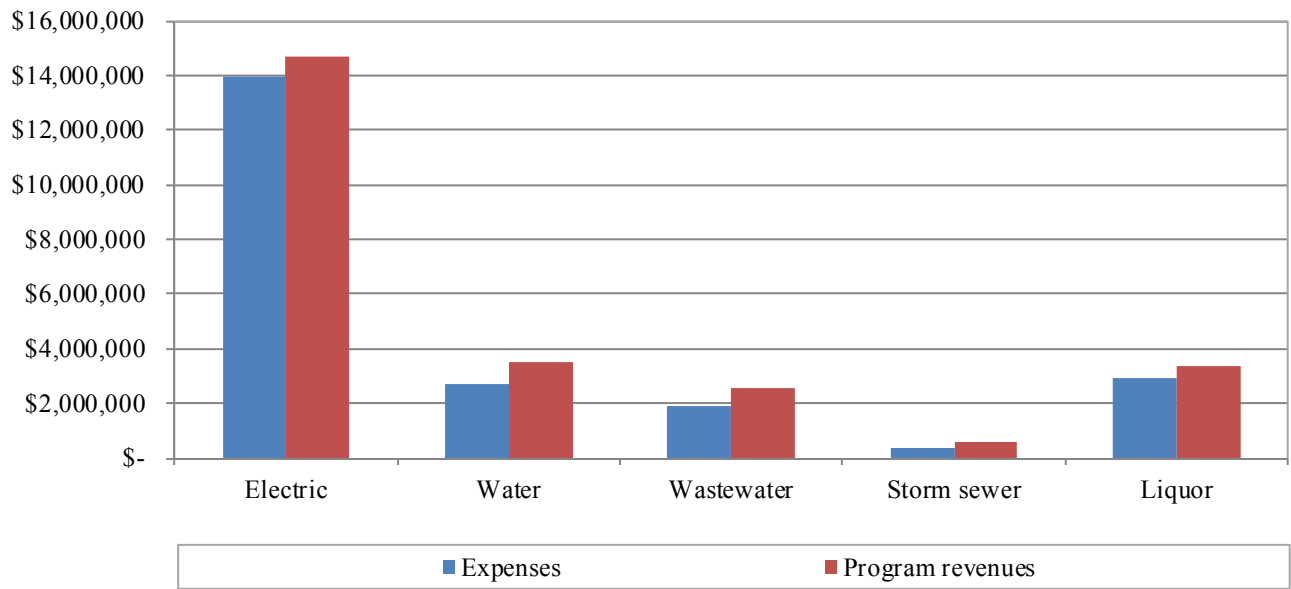
Revenues by Source



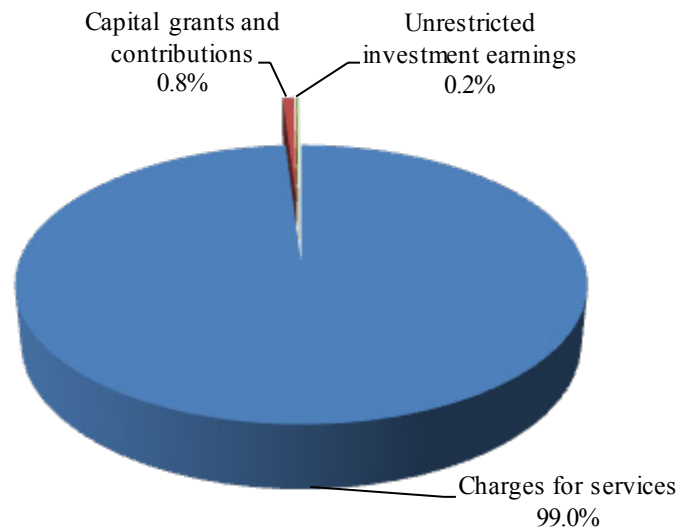
Business-type activities. Business-type activities increased the City’s net position by \$1,803,119. Key elements of this increase are as follows:

- PUC operating income of \$2,978,291.
- Overall expenses increased by \$684,662.
- A capital grant of \$198,072 was received for the water treatment plant.
- Investment earnings decreased by \$19,165 from the prior year.

Expenses and Program Revenues – Business-type Activities



Revenues by Source



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,928,632, an increase of \$693,774 in comparison with the prior year. This increase is the result of capital grants received for the Airport in 2013 reimbursing expenditures from 2012. Unassigned fund balance at year end is \$3,214,818. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$208,200), 2) restricted (\$12,731,158), 3) committed (\$739,747), or 4) assigned (\$3,034,709) for the purposes described in Note 3F in the fund balance section of each balance sheet.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$4,555,013. As a measure of the General fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance was \$3,225,036, or 43.7 percent of total General fund expenditures, while total fund balance represents 61.7 percent of General fund expenditures.

The fund balance of the City's General fund increased by \$158,104 during the current fiscal year. Contributing factors to the increase are unbudgeted contributions and donations the City received for the Fairmont Humane Society building renovation.

The Debt Service fund has a total fund balance of \$10,494,273, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service fund was \$136,917. The City retired \$1,410,000 of long-term debt and issued \$1,715,000 of special assessment improvement bonds.

The Airport Reconstruction Project fund has a total fund balance of \$124,840, an increase of \$184,327 during the current year. This project is being funded by Federal and State airport grants.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$12,060,781, of which \$9,632,602 was for the Public Utilities Commission fund, \$1,332,391 was for the Storm Sewer fund and those for the Municipal Liquor fund amounted to \$1,093,978. The total increase in net position for the enterprise funds was \$1,773,907. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Actual revenues exceeded budgeted by \$301,171 and actual expenditures exceeded budget by \$175,097 in 2013. The primary reasons for the variances are as follows:

- Contributions and donations and intergovernmental revenues were over budget by \$174,350 and \$218,796, respectively.
- Nonbusiness permits and investment earnings were under budget by \$34,840 and \$119,086, respectively.
- General government expenditures were over budget by \$16,282.
- Public safety expenditures were over budget by \$140,996.
- Public works expenditures were under budget by \$56,841.
- Culture and recreation expenditures were under budget by \$65,073.
- Capital outlay expenditures were over budget by \$134,667.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$121,435,577 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Several street improvement projects were completed in 2013 including Elm Street reconstruction.
- Completed construction on the Lair Road Bridge project.
- Completed Lair Road channel improvements.
- Construction continued on the new Water Plant.
- Construction continued on a new sports complex, Winnebago Ball Diamonds.
- Completed reconstruction of runway 13-31.
- Various equipment purchases by the PUC including meters, transformers and cable.
- Warehouse roof repair.
- Repair and paint Power Plant water tower.
- Purchased backhoe.

Additional information on the City's capital assets can be found in Note 3C starting on page 81 of this report.

City of Fairmont's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 3,949,478	\$ 3,949,478	\$ -	\$ 1,718,715	\$ 1,718,715	\$ -
Buildings and structures	5,940,639	6,012,666	(72,027)	9,663,958	10,027,064	(363,106)
Improvement other than buildings	5,389,343	3,164,412	2,224,931	19,555,143	19,960,057	(404,914)
Machinery and equipment	661,622	718,066	(56,444)	5,844,451	6,108,655	(264,204)
Vehicles	442,626	523,718	(81,092)	-	-	-
Infrastructure	28,658,112	29,585,893	(927,781)	-	-	-
Construction in progress	7,882,907	3,920,159	3,962,748	31,728,583	24,180,962	7,547,621
Total	<u>\$ 52,924,727</u>	<u>\$ 47,874,392</u>	<u>\$ 5,050,335</u>	<u>\$ 68,510,850</u>	<u>\$ 61,995,453</u>	<u>\$ 6,515,397</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$55,765,762. Of this amount, \$20,060,000 is special assessment debt and \$35,705,762 is revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Fairmont's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
General obligation bonds	\$ -	\$ 65,000	\$ (65,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	20,060,000	19,690,000	370,000	-	-	-
G.O. revenue bonds	-	-	-	35,705,762	28,983,160	6,722,602
Total	<u>\$ 20,060,000</u>	<u>\$ 19,755,000</u>	<u>\$ 305,000</u>	<u>\$ 35,705,762</u>	<u>\$ 28,983,160</u>	<u>\$ 6,722,602</u>

The City's total debt increased by \$7,027,602 (14.4 percent) during the current fiscal year. The key factor in this increase was the issuance of \$10,181,602 in new long-term debt and the retirement of long-term debt of \$3,154,000.

The City maintains an "AA2" rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$17,169,371. The City currently has no outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3E starting on page 86 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Martin County in March 2013 was 5.9 percent, which is a decrease from 6.2 percent a year ago. The rate is lower than the average of 5.8 percent for the State and lower than the national average rate of 7.6 percent.
- Property valuations within the City remain strong and have not experienced the significant declines that have been occurring across the Country.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

- Property taxes will increase in 2014 by 3.0 percent. The tax increase will provide an additional \$96,429 for operations of our governmental services and for capital expenditures. The increase will also facilitate the Council's five year plan to upgrade the City's park and trail system and its' plan to address dilapidated housing in some areas of the community. The City's share of property taxes is low when compared to similar sized cities throughout the State.
- 2014 electric, water and wastewater rates will remain at the 2013 levels. The City has completed a cost of service study on electric rates and the study calls for a 2.0 percent increase in 2015. Similar increases to water and wastewater are expected.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Fairmont, 100 Downtown Plaza, Fairmont, Minnesota, 56031.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
ASSETS				
Cash and cash equivalents	\$ 14,181,825	\$ 10,488,094	\$ 24,669,919	\$ 188,928
Investments	25,000	-	25,000	-
Escrowed investments	5,584,493	-	5,584,493	-
Receivables				
Interest	36,097	-	36,097	-
Delinquent taxes	106,725	-	106,725	3,525
Accounts, net of allowance for doubtful accounts	51,646	2,867,244	2,918,890	192
Notes	1,064,345	-	1,064,345	53,158
Special assessments	3,251,164	2,224	3,253,388	-
Intergovernmental	1,147,564	-	1,147,564	1,166
Due from component unit	6,331	-	6,331	-
Due from primary government	-	-	-	883
Internal balances	(68,837)	68,837	-	-
Inventories	-	746,459	746,459	-
Prepaid items	3,200	1,175	4,375	-
Unamortized maintenance charges	-	283,176	283,176	-
Capital assets				
Nondepreciable	11,832,385	33,447,298	45,279,683	-
Depreciable, net of accumulated depreciation	41,092,342	35,063,552	76,155,894	-
TOTAL ASSETS	78,314,280	82,968,059	161,282,339	247,852
LIABILITIES				
Accounts and contracts payable	566,391	1,076,773	1,643,164	2,991
Due to primary government	-	-	-	6,331
Due to component unit	883	-	883	-
Due to other governments	320	89,646	89,966	-
Accrued interest payable	148,668	274,468	423,136	-
Accrued salaries and vacation payable	197,480	142,233	339,713	3,135
Deposits payable	-	105,228	105,228	921
Unearned revenue	16,214	4,075	20,289	-
Noncurrent liabilities				
Due within one year	4,456,346	1,715,316	6,171,662	398
Due in more than one year	16,402,964	34,612,272	51,015,236	15,023
TOTAL LIABILITIES	21,789,266	38,020,011	59,809,277	28,799
NET POSITION				
Net investment in capital assets	38,956,915	32,805,088	71,762,003	-
Restricted for				
Debt service	7,873,294	-	7,873,294	-
Capital projects	1,424,916	-	1,424,916	-
Airport reconstruction project	124,840	-	124,840	-
Housing and economic development	534,193	-	534,193	-
Unrestricted	7,610,856	12,142,960	19,753,816	219,053
TOTAL NET POSITION	\$ 56,525,014	\$ 44,948,048	\$ 101,473,062	\$ 219,053

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 1,226,415	\$ 207,868	\$ -	\$ -
Public safety	3,210,448	157,367	223,991	-
Streets and highways	3,286,029	3,141	29,085	1,968,638
Sanitation and waste removal	11,916	103,531	-	-
Culture and recreation	1,451,745	164,170	-	-
Housing development	76,316	8,198	-	-
Economic development	156,973	61,535	53,827	-
Airport	573,647	261,149	100,647	4,176,031
Interest on long-term debt	674,487	-	-	-
Total governmental activities	<u>10,667,976</u>	<u>966,959</u>	<u>407,550</u>	<u>6,144,669</u>
Business-type activities				
Electric	13,984,812	14,675,757	-	-
Water	2,674,540	3,338,756	-	200,172
Wastewater	1,932,952	2,558,049	-	-
Storm sewer	367,738	587,188	-	-
Liquor	2,898,764	3,392,791	-	-
Parking lot	4,830	4,797	-	-
Total business-type activities	<u>21,863,636</u>	<u>24,557,338</u>	<u>-</u>	<u>200,172</u>
Total primary government	<u>\$ 32,531,612</u>	<u>\$ 25,524,297</u>	<u>\$ 407,550</u>	<u>\$ 6,344,841</u>
Component unit				
Economic development	<u>\$ 123,633</u>	<u>\$ 23,479</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings (loss)				
Payments from Primary Government				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, January 1				
Net position, December 31				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (1,018,547)		\$ (1,018,547)	
(2,829,090)		(2,829,090)	
(1,285,165)		(1,285,165)	
91,615		91,615	
(1,287,575)		(1,287,575)	
(68,118)		(68,118)	
(41,611)		(41,611)	
3,964,180		3,964,180	
(674,487)		(674,487)	
<u>(3,148,798)</u>		<u>(3,148,798)</u>	
	\$ 690,945	690,945	
	864,388	864,388	
	625,097	625,097	
	219,450	219,450	
	494,027	494,027	
	<u>(33)</u>	<u>(33)</u>	
	2,893,874	2,893,874	
<u>(3,148,798)</u>	<u>2,893,874</u>	<u>(254,924)</u>	
			\$ (100,154)
1,975,108	-	1,975,108	100,460
1,153,660	-	1,153,660	-
36,205	-	36,205	-
3,918,992	-	3,918,992	-
(13,861)	37,807	23,946	721
-	-	-	81,000
16,804	-	16,804	-
3,241	-	3,241	-
1,128,562	(1,128,562)	-	-
<u>8,218,711</u>	<u>(1,090,755)</u>	<u>7,127,956</u>	<u>182,181</u>
<u>5,069,913</u>	<u>1,803,119</u>	<u>6,873,032</u>	<u>82,027</u>
<u>51,455,101</u>	<u>43,144,929</u>	<u>94,600,030</u>	<u>137,026</u>
<u>\$ 56,525,014</u>	<u>\$ 44,948,048</u>	<u>\$ 101,473,062</u>	<u>\$ 219,053</u>

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FUND FINANCIAL STATEMENTS

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Debt Service	Airport Reconstruction Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,848,060	\$ 4,888,042	\$ -	\$ 3,134,174	\$ 12,870,276
Investments	-	-	-	25,000	25,000
Escrowed investments	-	5,584,493	-	-	5,584,493
Receivables					
Interest	36,097	-	-	-	36,097
Delinquent taxes	64,420	40,536	-	1,769	106,725
Accounts	36,783	-	-	14,863	51,646
Loans	-	-	-	1,064,345	1,064,345
Special assessments	11,805	3,239,359	-	-	3,251,164
Intergovernmental	24,794	24,532	858,486	239,752	1,147,564
Due from other funds	205,000	-	-	715,836	920,836
Prepaid items	-	-	-	3,200	3,200
TOTAL ASSETS	\$ 5,226,959	\$ 13,776,962	\$ 858,486	\$ 5,198,939	\$ 25,061,346
LIABILITIES					
Accounts and contracts payable	\$ 351,465	\$ -	\$ 17,810	\$ 116,744	\$ 486,019
Due to other funds	42,684	-	715,836	26,593	785,113
Due to other governments	320	-	-	-	320
Accrued interest payable	-	2,794	-	-	2,794
Accrued salaries payable	182,814	-	-	3,226	186,040
Unearned revenue	18,438	-	-	-	18,438
TOTAL LIABILITIES	595,721	2,794	733,646	146,563	1,478,724
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	64,420	40,536		1,769	106,725
Unavailable revenue - special assessments	11,805	3,239,359		-	3,251,164
Unavailable revenue - loans	-	-		296,101	296,101
TOTAL DEFERRED INFLOWS OF RESOURCES	76,225	3,279,895	-	297,870	3,653,990
FUND BALANCES					
Nonspendable	205,000	-	-	3,200	208,200
Restricted	-	10,494,273	124,840	2,112,045	12,731,158
Committed	135,575	-	-	604,172	739,747
Assigned	989,402	-	-	2,045,307	3,034,709
Unassigned	3,225,036	-		(10,218)	3,214,818
TOTAL FUND BALANCES	4,555,013	10,494,273	124,840	4,754,506	19,928,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,226,959	\$ 13,776,962	\$ 858,486	\$ 5,198,939	\$ 25,061,346

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 19,928,632
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	52,849,394
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(541,727)
Postemployment benefits other than pension obligation	(134,404)
Bonds payable	(20,060,000)
Bond premiums, net of accumulated amortization	(111,849)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	106,725
Special assessments receivable	3,253,388
Loans receivable	296,101
Governmental funds do not report a liability for accrued interest until due and payable.	(145,874)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	1,084,628
Total net position - governmental activities	<u>\$ 56,525,014</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Debt Service	Airport Reconstruction Project	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,949,841	\$ 1,153,660	\$ -	\$ 50,109	\$ 3,153,610
Special assessments	-	815,756	-	-	815,756
Licenses and permits	134,360	-	-	-	134,360
Intergovernmental	4,005,938	-	4,276,031	1,434,445	9,716,414
Charges for services	337,685	-	-	78,406	416,091
Fines and forfeits	55,394	-	-	-	55,394
Investment earnings (loss)	(74,086)	41,664	(5,416)	17,972	(19,866)
Miscellaneous	304,242	-	-	261,401	565,643
TOTAL REVENUES	6,713,374	2,011,080	4,270,615	1,842,333	14,837,402
EXPENDITURES					
Current					
General government	1,196,929	-	-	-	1,196,929
Public safety	2,981,980	-	-	-	2,981,980
Streets and highways	1,449,200	-	-	-	1,449,200
Sanitation and waste removal	11,916	-	-	-	11,916
Culture and recreation	1,283,893	-	-	-	1,283,893
Housing and economic development	-	12,968	-	121,410	134,378
Miscellaneous	-	-	-	336,450	336,450
Capital outlay					
General government	11,870	-	-	-	11,870
Public safety	365,004	-	-	-	365,004
Streets and highways	1,350	-	-	2,316,402	2,317,752
Culture and recreation	81,943	-	-	-	81,943
Miscellaneous	-	-	4,335,218	501,064	4,836,282
Debt service					
Principal	-	1,410,000	-	-	1,410,000
Interest and other	-	544,346	-	-	544,346
Bond issuance costs	-	64,803	-	-	64,803
TOTAL EXPENDITURES	7,384,085	2,032,117	4,335,218	3,275,326	17,026,746
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(670,711)	(21,037)	(64,603)	(1,432,993)	(2,189,344)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	9,183	-	-	-	9,183
Transfers in	819,632	18,315	248,930	735,974	1,822,851
Bonds issued	-	109,266	-	1,605,734	1,715,000
Premium on bonds issued	-	30,373	-	-	30,373
Transfers out	-	-	-	(694,289)	(694,289)
TOTAL OTHER FINANCING SOURCES (USES)	828,815	157,954	248,930	1,647,419	2,883,118
NET CHANGE IN FUND BALANCES	158,104	136,917	184,327	214,426	693,774
FUND BALANCES, JANUARY 1	4,396,909	10,357,356	(59,487)	4,540,080	19,234,858
FUND BALANCES, DECEMBER 31	\$ 4,555,013	\$ 10,494,273	\$ 124,840	\$ 4,754,506	\$ 19,928,632

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - governmental funds	\$ 693,774
Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	6,769,472
Depreciation expense	(1,720,325)
The net effect of various miscellaneous transactions involving capital assets.	
Disposal of capital assets	(5,942)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued or incurred	(1,715,000)
Principal repayments	1,410,000
Discounts on bonds issued, net of amortization expense	(116,682)
Premiums on bonds issued, net of amortization expense	(22,909)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	43,880
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	11,363
Special assessments	(239,911)
Loan repayments	(8,311)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(21,058)
Post employment benefits other than pension costs	(12,866)
Loan write-offs	(64,746)
Some expenditures reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Loans made	34,204
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.	34,970
Change in net position - governmental activities	<u>\$ 5,069,913</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 1,947,974	\$ 1,947,974	\$ 1,949,841	\$ 1,867
Licenses and permits	169,200	169,200	134,360	(34,840)
Intergovernmental	3,778,922	3,778,922	4,005,938	227,016
Charges for services	280,450	280,450	337,685	57,235
Fines and forfeits	83,707	83,707	55,394	(28,313)
Investment earnings (loss)	45,000	45,000	(74,086)	(119,086)
Miscellaneous	106,950	106,950	304,242	197,292
TOTAL REVENUES	6,412,203	6,412,203	6,713,374	301,171
EXPENDITURES				
Current				
General government	1,180,647	1,180,647	1,196,929	(16,282)
Public safety	2,840,984	2,840,984	2,981,980	(140,996)
Streets and highways	1,506,041	1,506,041	1,449,200	56,841
Sanitation	6,850	6,850	11,916	(5,066)
Culture and recreation	1,348,966	1,348,966	1,283,893	65,073
Capital outlay				
General government	70,000	70,000	11,870	58,130
Public safety	60,000	60,000	365,004	(305,004)
Culture and recreation	125,000	125,000	1,350	123,650
Miscellaneous	70,500	70,500	81,943	(11,443)
TOTAL EXPENDITURES	7,208,988	7,208,988	7,384,085	(175,097)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(796,785)	(796,785)	(670,711)	126,074
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	9,183	9,183
Transfers in	819,632	819,632	819,632	-
TOTAL OTHER FINANCING SOURCES (USES)	819,632	819,632	828,815	9,183
NET CHANGE IN FUND BALANCES	22,847	22,847	158,104	135,257
FUND BALANCES, JANUARY 1	4,396,909	4,396,909	4,396,909	-
FUND BALANCES, DECEMBER 31	\$ 4,419,756	\$ 4,419,756	\$ 4,555,013	\$ 135,257

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,982,960	\$ 3,026,554	\$ 3,256,536	\$ 2,893,994
Receivables				
Accounts, net of allowance for doubtful accounts of \$63,474 and \$63,474	437,084	416,752	360,846	335,868
Special assessments - current	2,224	-	-	-
Due from other funds	-	-	-	-
Inventories	106,885	99,859	-	-
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	3,529,153	3,543,165	3,617,382	3,229,862
NONCURRENT ASSETS				
Unamortized maintenance charges	283,176	333,956	-	-
Capital assets				
Land	468,687	468,687	58,186	58,186
Buildings	-	1,048,600	11,012,034	11,012,034
Improvements other than buildings	-	-	-	-
Utility plant in service	7,953,811	9,261,284	7,159,919	7,084,075
Machinery and equipment	348,134	334,785	6,891,578	6,841,752
Construction in progress	31,728,583	24,180,962	-	-
Total capital assets	40,499,215	35,294,318	25,121,717	24,996,047
Less accumulated depreciation	(3,080,947)	(5,165,541)	(8,844,457)	(8,213,962)
Total capital assets (net of accumulated depreciation)	37,418,268	30,128,777	16,277,260	16,782,085
TOTAL NONCURRENT ASSETS	37,701,444	30,462,733	16,277,260	16,782,085
TOTAL ASSETS	41,230,597	34,005,898	19,894,642	20,011,947

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		Total		603		609	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 2,008,320	\$ 1,798,576	\$ 8,247,816	\$ 7,719,124	\$ 1,336,360	\$ 1,204,558	\$ 901,677	\$ 714,346
1,973,528	1,910,309	2,771,458	2,662,929	56,165	57,024	39,664	46,785
-	-	2,224	-	-	-	-	-
-	-	-	-	-	-	25,000	-
439,968	490,325	546,853	590,184	-	-	199,606	191,836
-	-	-	-	-	-	1,175	1,175
4,421,816	4,199,210	11,568,351	10,972,237	1,392,525	1,261,582	1,167,122	954,142
-	-	283,176	333,956	-	-	-	-
90,991	90,991	617,864	617,864	495,863	495,863	229,138	229,138
1,272,290	1,231,404	12,284,324	13,292,038	-	-	1,725,625	1,725,625
-	-	-	-	8,499,835	8,387,600	-	-
12,809,739	13,494,250	27,923,469	29,839,609	-	-	-	-
3,329,424	3,263,754	10,569,136	10,440,291	-	-	35,733	35,733
-	-	31,728,583	24,180,962	-	-	-	-
17,502,444	18,080,399	83,123,376	78,370,764	8,995,698	8,883,463	1,990,496	1,990,496
(11,716,936)	(12,129,607)	(23,642,340)	(25,509,110)	(2,128,643)	(1,956,340)	(203,587)	(159,670)
5,785,508	5,950,792	59,481,036	52,861,654	6,867,055	6,927,123	1,786,909	1,830,826
5,785,508	5,950,792	59,764,212	53,195,610	6,867,055	6,927,123	1,786,909	1,830,826
10,207,324	10,150,002	71,332,563	64,167,847	8,259,580	8,188,705	2,954,031	2,784,968

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CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service Fund
	2013	2012	2013	2012	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,241	\$ 2,259	\$ 10,488,094	\$ 9,640,287	\$ 1,311,549
Receivables					
Accounts, net of allowance for doubtful accounts of \$63,474 and \$63,474	(43)	(43)	2,867,244	2,766,695	-
Special assessments - current	-	-	2,224	-	-
Due from other funds	-	-	25,000	-	136,137
Inventories	-	-	746,459	782,020	-
Prepaid items	-	-	1,175	1,175	-
TOTAL CURRENT ASSETS	2,198	2,216	14,130,196	13,190,177	1,447,686
NONCURRENT ASSETS					
Unamortized maintenance charges	-	-	283,176	333,956	-
Capital assets					
Land	375,850	375,850	1,718,715	1,718,715	-
Buildings	-	-	14,009,949	15,017,663	-
Improvements other than buildings	-	-	8,499,835	8,387,600	-
Utility plant in service	-	-	27,923,469	29,839,609	-
Machinery and equipment	-	-	10,604,869	10,476,024	292,991
Construction in progress	-	-	31,728,583	24,180,962	-
Total capital assets	375,850	375,850	94,485,420	89,620,573	292,991
Less accumulated depreciation	-	-	(25,974,570)	(27,625,120)	(217,658)
Total capital assets (net of accumulated depreciation)	375,850	375,850	68,510,850	61,995,453	75,333
TOTAL NONCURRENT ASSETS	375,850	375,850	68,794,026	62,329,409	75,333
TOTAL ASSETS	378,048	378,066	82,924,222	75,519,586	1,523,019

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2013	2012	2013	2012
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	\$ 40,782	\$ 1,274,530	\$ 34,465	\$ 28,798
Due to other funds	11,911	11,811	7,637	7,707
Due to component unit	-	-	-	-
Due to other governments	-	-	-	-
Accrued interest payable	208,002	106,566	51,528	51,762
Accrued salaries payable	45,318	40,145	23,022	20,905
Sick leave/severance payable - current portion	37,720	47,148	17,574	16,716
Deposits payable	12,710	12,574	-	-
Unearned revenue	2,224	-	-	-
Bonds payable - current portion	739,000	910,000	681,000	669,000
TOTAL CURRENT LIABILITIES	1,097,667	2,402,774	815,226	794,888
NONCURRENT LIABILITIES				
Sick leave/severance payable, net of current portion	128,838	107,313	74,047	65,273
Postemployment benefits other than pension obligation	11,354	9,935	5,692	4,817
Bonds payable, net of current portion	25,287,762	17,560,160	7,493,000	8,174,000
TOTAL NONCURRENT LIABILITIES	25,427,954	17,677,408	7,572,739	8,244,090
TOTAL LIABILITIES	26,525,621	20,080,182	8,387,965	9,038,978
NET POSITION				
Net investment in capital assets	11,391,506	11,658,617	8,103,260	7,939,085
Unrestricted	3,313,470	2,267,099	3,403,417	3,033,884
TOTAL NET POSITION	\$ 14,704,976	\$ 13,925,716	\$ 11,506,677	\$ 10,972,969

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		Total		603		609	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 981,372	\$ 1,015,203	\$ 1,056,619	\$ 2,318,531	\$ 911	\$ 651	\$ 18,855	\$ 6,271
14,453	15,745	34,001	35,263	1,047	-	3,294	2,880
-	-	-	-	-	-	-	-
86,919	84,758	86,919	84,758	-	823	2,727	-
-	-	259,530	158,328	14,938	16,333	-	-
55,366	52,144	123,706	113,194	16,169	13,744	20,616	20,553
63,201	93,907	118,495	157,771	-	-	204	2,396
92,518	93,556	105,228	106,130	-	-	-	-
-	-	2,224	-	-	-	1,851	1,603
-	-	1,420,000	1,579,000	170,000	165,000	-	-
1,293,829	1,355,313	3,206,722	4,552,975	203,065	196,551	47,547	33,703
187,944	159,594	390,829	332,180	1,400	459	17,809	12,221
24,328	20,171	41,374	34,923	2,348	2,049	7,788	6,971
-	-	32,780,762	25,734,160	1,358,321	1,521,047	-	-
212,272	179,765	33,212,965	26,101,263	1,362,069	1,523,555	25,597	19,192
1,506,101	1,535,078	36,419,687	30,654,238	1,565,134	1,720,106	73,144	52,895
5,785,508	5,950,792	25,280,274	25,548,494	5,362,055	5,266,485	1,786,909	1,830,826
2,915,715	2,664,132	9,632,602	7,965,115	1,332,391	1,202,114	1,093,978	901,247
<u>\$ 8,701,223</u>	<u>\$ 8,614,924</u>	<u>\$ 34,912,876</u>	<u>\$ 33,513,609</u>	<u>\$ 6,694,446</u>	<u>\$ 6,468,599</u>	<u>\$ 2,880,887</u>	<u>\$ 2,732,073</u>

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CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service Fund
	2013	2012	2013	2012	
LIABILITIES					
CURRENT LIABILITIES					
Accounts and contracts payable	\$ 388	\$ 385	\$ 1,076,773	\$ 2,325,838	\$ 80,372
Due to other funds	-	-	38,342	38,143	258,518
Due to component unit	-	-	-	-	883
Due to other governments	-	-	89,646	85,581	-
Accrued interest payable	-	-	274,468	174,661	-
Accrued salaries payable	-	-	160,491	147,491	22,770
Sick leave/severance payable - current portion	-	-	118,699	160,167	-
Deposits payable	-	-	105,228	106,130	-
Unearned revenue	-	-	4,075	1,603	-
Bonds payable - current portion	-	-	1,590,000	1,744,000	-
TOTAL CURRENT LIABILITIES	388	385	3,457,722	4,783,614	362,543
NONCURRENT LIABILITIES					
Sick leave/severance payable, net of current portion	-	-	410,038	344,860	-
Postemployment benefits other than pension obligation	-	-	51,510	43,943	-
Bonds payable, net of current portion	-	-	34,139,083	27,255,207	-
TOTAL NONCURRENT LIABILITIES	-	-	34,600,631	27,644,010	-
TOTAL LIABILITIES	388	385	38,058,353	32,427,624	362,543
NET POSITION					
Net investment in capital assets	375,850	375,850	32,805,088	33,021,655	75,333
Unrestricted	1,810	1,831	12,060,781	10,070,307	1,085,143
TOTAL NET POSITION	\$ 377,660	\$ 377,681	44,865,869	43,091,962	\$ 1,160,476

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2013	2012	2013	2012
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ -	\$ -
Cost of sales	-	-	-	-
Charges for services	2,995,348	2,699,242	1,793,938	1,431,345
Miscellaneous revenues	336,819	324,152	748,457	727,760
TOTAL OPERATING REVENUES	3,332,167	3,023,394	2,542,395	2,159,105
OPERATING EXPENSES				
Production or purchase	-	-	-	-
Filtration	950,375	957,550	-	-
Treatment	-	-	633,326	623,509
Distribution	466,580	449,489	-	-
Collection	-	-	303,052	279,944
Administration and other	233,307	155,395	205,663	151,457
Depreciation	203,313	201,195	638,193	630,541
TOTAL OPERATING EXPENSES	1,853,575	1,763,629	1,780,234	1,685,451
OPERATING INCOME (LOSS)	1,478,592	1,259,765	762,161	473,654
NONOPERATING REVENUES (EXPENSES)				
Investment income	15,725	22,540	15,654	29,558
Miscellaneous income	-	(9,804)	-	-
Gain (loss) on sale of assets	(299,188)	(2,246)	6,000	40,973
Interest expense	(509,148)	(159,423)	(152,750)	(161,340)
Bond discount/premium amortization	-	-	-	-
Payments to Economic Development Authority	(10,090)	(9,131)	(9,189)	(9,500)
TOTAL NONOPERATING REVENUES (EXPENSES)	(802,701)	(158,064)	(140,285)	(100,309)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTIONS	675,891	1,101,701	621,876	373,345
CAPITAL GRANTS AND CONTRIBUTIONS	200,172	801,928	-	-
TRANSFERS OUT	(96,803)	(97,422)	(88,168)	(81,457)
CHANGE IN NET POSITION	779,260	1,806,207	533,708	291,888
NET POSITION, JANUARY 1	13,925,716	12,119,509	10,972,969	10,681,081
NET POSITION, DECEMBER 31	<u>\$ 14,704,976</u>	<u>\$ 13,925,716</u>	<u>\$ 11,506,677</u>	<u>\$ 10,972,969</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		Total		603		609	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2013	2012	2013	2012	2013	2012	2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,392,209	\$ 3,291,955
-	-	-	-	-	-	(2,448,793)	(2,486,326)
14,265,649	14,432,607	19,054,935	18,563,194	585,906	578,036	-	-
373,587	423,931	1,458,863	1,475,843	-	-	-	-
<u>14,639,236</u>	<u>14,856,538</u>	<u>20,513,798</u>	<u>20,039,037</u>	<u>585,906</u>	<u>578,036</u>	<u>943,416</u>	<u>805,629</u>
11,370,136	11,488,996	11,370,136	11,488,996	-	-	-	-
-	-	950,375	957,550	-	-	-	-
-	-	633,326	623,509	-	-	-	-
1,173,817	1,251,599	1,640,397	1,701,088	-	-	-	-
-	-	303,052	279,944	-	-	-	-
932,076	825,695	1,371,046	1,132,547	145,049	84,518	405,419	402,565
425,669	427,794	1,267,175	1,259,530	172,303	168,172	43,917	46,572
<u>13,901,698</u>	<u>13,994,084</u>	<u>17,535,507</u>	<u>17,443,164</u>	<u>317,352</u>	<u>252,690</u>	<u>449,336</u>	<u>449,137</u>
<u>737,538</u>	<u>862,454</u>	<u>2,978,291</u>	<u>2,595,873</u>	<u>268,554</u>	<u>325,346</u>	<u>494,080</u>	<u>356,492</u>
9,837	16,096	41,216	68,194	6,651	10,857	5,582	7,458
-	59,214	-	49,410	5,520	-	582	1,196
(7,194)	(4,753)	(300,382)	33,974	-	-	-	-
-	-	(661,898)	(320,763)	(47,604)	(51,475)	-	-
-	-	-	-	(7,274)	1,319	-	-
<u>(61,721)</u>	<u>(62,369)</u>	<u>(81,000)</u>	<u>(81,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(59,078)</u>	<u>8,188</u>	<u>(1,002,064)</u>	<u>(250,185)</u>	<u>(42,707)</u>	<u>(39,299)</u>	<u>6,164</u>	<u>8,654</u>
678,460	870,642	1,976,227	2,345,688	225,847	286,047	500,244	365,146
-	-	200,172	801,928	-	-	-	-
<u>(592,161)</u>	<u>(598,253)</u>	<u>(777,132)</u>	<u>(777,132)</u>	<u>-</u>	<u>-</u>	<u>(351,430)</u>	<u>(200,500)</u>
86,299	272,389	1,399,267	2,370,484	225,847	286,047	148,814	164,646
<u>8,614,924</u>	<u>8,342,535</u>	<u>33,513,609</u>	<u>31,143,125</u>	<u>6,468,599</u>	<u>6,182,552</u>	<u>2,732,073</u>	<u>2,567,427</u>
<u>\$ 8,701,223</u>	<u>\$ 8,614,924</u>	<u>\$ 34,912,876</u>	<u>\$ 33,513,609</u>	<u>\$ 6,694,446</u>	<u>\$ 6,468,599</u>	<u>\$ 2,880,887</u>	<u>\$ 2,732,073</u>

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CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Business-type Activities - Enterprise Funds					
	611				
	Parking Lot		Totals		Internal Service Fund
	2013	2012	2013	2012	
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ 3,392,209	\$ 3,291,955	\$ -
Cost of sales	-	-	(2,448,793)	(2,486,326)	-
Charges for services	4,797	4,824	19,645,638	19,146,054	2,500,020
Miscellaneous revenues	-	-	1,458,863	1,475,843	26,976
TOTAL OPERATING REVENUES	4,797	4,824	22,047,917	21,427,526	2,526,996
OPERATING EXPENSES					
Production or purchase	-	-	11,370,136	11,488,996	-
Filtration	-	-	950,375	957,550	-
Treatment	-	-	633,326	623,509	-
Distribution	-	-	1,640,397	1,701,088	-
Collection	-	-	303,052	279,944	-
Administration and other	4,830	4,905	1,926,344	1,624,535	2,450,103
Depreciation	-	-	1,483,395	1,474,274	18,139
TOTAL OPERATING EXPENSES	4,830	4,905	18,307,025	18,149,896	2,468,242
OPERATING INCOME (LOSS)	(33)	(81)	3,740,892	3,277,630	58,754
NONOPERATING REVENUES (EXPENSES)					
Investment income	12	21	53,461	86,530	5,757
Miscellaneous income	-	-	6,102	50,606	-
Gain (loss) on sale of assets	-	-	(300,382)	33,974	-
Interest expense	-	-	(709,502)	(372,238)	-
Bond discount/premium amortization	-	-	(7,274)	1,319	-
Payments to Economic Development Authority	-	-	(81,000)	(81,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	12	21	(1,038,595)	(280,809)	5,757
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS AND CONTRIBUTION	(21)	(60)	2,702,297	2,996,821	64,511
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	200,172	801,928	-
TRANSFERS OUT	-	-	(1,128,562)	(977,632)	-
CHANGE IN NET POSITION	(21)	(60)	1,773,907	2,821,117	64,511
NET POSITION, JANUARY 1	377,681	377,741	43,091,962	40,270,845	1,095,965
NET POSITION, DECEMBER 31	\$ 377,660	\$ 377,681	\$ 44,865,869	\$ 43,091,962	\$ 1,160,476
Change in net position as shown above	\$		1,773,907	\$	2,821,117
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			29,212	33,881	
Change in net position of business-type activities			\$ 1,803,119	\$	2,854,998

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,311,971	\$ 2,978,489	\$ 2,517,417	\$ 2,195,326
Payments to suppliers	(713,650)	(847,466)	(544,406)	(582,296)
Payments to and on behalf of employees	(997,725)	(945,982)	(579,344)	(550,791)
Payments for interfund services used	-	-	-	-
Other receipts	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,600,596	1,185,041	1,393,667	1,062,239
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers to other funds	(96,803)	(97,422)	(88,168)	(81,457)
Payments to Economic Development Authority	(10,090)	(9,131)	(9,189)	(9,500)
Increase in due from other funds	-	-	-	-
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	100	-	-	790
Decrease in due to other funds	-	(3,217)	(70)	-
Increase in due to component unit	-	-	-	-
Decrease in due from component unit	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(106,793)	(109,770)	(97,427)	(90,167)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(8,908,184)	(17,897,360)	(135,694)	(326,795)
Proceeds from sale of capital assets	6,000	-	8,326	40,973
Capital grants received	200,172	801,928	-	-
Proceeds from issuance of debt	8,466,602	16,944,385	-	-
Principal paid on revenue bond obligations	(910,000)	(10,812)	(669,000)	(658,000)
Interest paid on revenue bond obligations	(407,712)	(72,240)	(152,984)	(164,367)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,553,122)	(234,099)	(949,352)	(1,108,189)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,725	22,540	15,654	29,558
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,594)	863,712	362,542	(106,559)
CASH AND CASH EQUIVALENTS, JANUARY 1	3,026,554	2,162,842	2,893,994	3,000,553
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,982,960	\$ 3,026,554	\$ 3,256,536	\$ 2,893,994

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

604		Total		603		609	
Electric Utility		Public Utilities Commission		Storm Sewer Utility		Municipal Liquor	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 14,574,979	\$ 14,889,627	\$ 20,404,367	\$ 20,063,442	\$ 586,765	\$ 577,440	\$ 3,399,578	\$ 3,282,010
(12,095,773)	(12,333,733)	(13,353,829)	(13,763,495)	(45,550)	(19,521)	(2,492,894)	(2,541,381)
(1,356,546)	(1,344,730)	(2,933,615)	(2,841,503)	(70,638)	(49,180)	(282,685)	(278,774)
-	-	-	-	(24,936)	(17,287)	(66,816)	(65,467)
-	-	-	-	5,520	-	582	1,196
1,122,660	1,211,164	4,116,923	3,458,444	451,161	491,452	557,765	397,584
(592,161)	(598,253)	(777,132)	(777,132)	-	-	(351,430)	(200,500)
(61,721)	(62,369)	(81,000)	(81,000)	-	-	-	-
-	-	-	-	-	-	(25,000)	-
-	-	-	-	-	-	-	-
-	2,089	100	2,879	224	701	414	204
(1,292)	-	(1,362)	(3,217)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(655,174)	(658,533)	(859,394)	(858,470)	224	701	(376,016)	(200,296)
(269,144)	(420,529)	(9,313,022)	(18,644,684)	(112,235)	(98,943)	-	(14,425)
1,565	-	15,891	40,973	-	-	-	-
-	-	200,172	801,928	-	-	-	-
-	-	8,466,602	16,944,385	-	-	-	-
-	-	(1,579,000)	(668,812)	(165,000)	(165,000)	-	-
-	-	(560,696)	(236,607)	(48,999)	(52,713)	-	-
(267,579)	(420,529)	(2,770,053)	(1,762,817)	(326,234)	(316,656)	-	(14,425)
9,837	16,096	41,216	68,194	6,651	10,857	5,582	7,458
209,744	148,198	528,692	905,351	131,802	186,354	187,331	190,321
1,798,576	1,650,378	7,719,124	6,813,773	1,204,558	1,018,204	714,346	524,025
<u>\$ 2,008,320</u>	<u>\$ 1,798,576</u>	<u>\$ 8,247,816</u>	<u>\$ 7,719,124</u>	<u>\$ 1,336,360</u>	<u>\$ 1,204,558</u>	<u>\$ 901,677</u>	<u>\$ 714,346</u>

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CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service
	2013	2012	2013	2012	Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,797	\$ 4,846	\$ 24,395,507	\$ 23,927,738	\$ 2,500,020
Payments to suppliers	(4,817)	(4,897)	(15,897,090)	(16,329,294)	(454,065)
Payments to and on behalf of employees	-	-	(3,286,938)	(3,169,457)	(1,948,867)
Payments for interfund services used	(10)	(15)	(91,762)	(82,769)	(68,373)
Other receipts	-	-	6,102	1,196	26,976
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(30)	(66)	5,125,819	4,347,414	55,691
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in (out)	-	-	(1,128,562)	(977,632)	-
Payments to Economic Development Authority	-	-	(81,000)	(81,000)	-
Increase in due from other funds	-	-	(25,000)	-	(278)
Decrease in due from other funds	-	-	-	-	2,177
Increase in due to other funds	-	-	738	3,784	-
Decrease in due to other funds	-	-	(1,362)	(3,217)	(992)
Increase in due to component unit	-	-	-	-	883
Decrease in due from component unit	-	-	-	-	352
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(1,235,186)	(1,058,065)	2,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	(9,425,257)	(18,758,052)	(25,269)
Proceeds from sale of capital assets	-	-	15,891	40,973	-
Federal aids received	-	-	200,172	801,928	-
Proceeds from issuance of debt	-	-	8,466,602	16,944,385	-
Principal paid on revenue bond obligations	-	-	(1,744,000)	(833,812)	-
Interest paid on revenue bond obligations	-	-	(609,695)	(289,320)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(3,096,287)	(2,093,898)	(25,269)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	12	21	53,461	86,530	5,757
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18)	(45)	847,807	1,281,981	38,321
CASH AND CASH EQUIVALENTS, JANUARY 1	2,259	2,304	9,640,287	8,358,306	1,273,228
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,241	\$ 2,259	\$ 10,488,094	\$ 9,640,287	\$ 1,311,549

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Wastewater Utility	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,478,592	\$ 1,259,765	\$ 762,161	\$ 473,654
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	(9,804)	-	-
Depreciation	203,313	201,195	638,193	630,541
(Increase) decrease in assets				
Net accounts receivable	(20,332)	(36,354)	(24,978)	36,221
Inventories	(7,026)	(28,143)	-	-
Prepaid items	-	-	-	-
Unamortized maintenance charges	50,780	50,780	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	(123,556)	(252,440)	5,667	(87,366)
Due to other governments	-	-	-	-
Accrued wages and sick leave/severance payable	17,270	(2,719)	11,749	8,174
Postemployment benefits other than pension obligation	1,419	1,508	875	1,015
Deposits payable	136	1,253	-	-
Unearned revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,600,596</u>	<u>\$ 1,185,041</u>	<u>\$ 1,393,667</u>	<u>\$ 1,062,239</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization of bond discount/premium	\$ -	\$ -	\$ -	\$ -
Book value of disposed of assets	305,188	2,246	2,326	-
Capital assets acquired on account	-	1,110,192	-	-

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds							
604 Electric Utility		Total Public Utilities Commission		603 Storm Sewer Utility		609 Municipal Liquor	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 737,538	\$ 862,454	\$ 2,978,291	\$ 2,595,873	\$ 268,554	\$ 325,346	\$ 494,080	\$ 356,492
-	59,214	-	49,410	5,520	-	582	1,196
425,669	427,794	1,267,175	1,259,530	172,303	168,172	43,917	46,572
(63,219)	(26,480)	(108,529)	(26,613)	859	(596)	7,121	(9,824)
50,357	(46,654)	43,331	(74,797)	-	-	(7,770)	57,597
-	-	-	-	-	-	-	(455)
-	-	50,780	50,780	-	-	-	-
(33,831)	(140,335)	(151,720)	(480,141)	260	651	12,584	(9,000)
2,161	59,403	2,161	59,403	-	-	2,727	(48,553)
866	10,064	29,885	15,519	3,366	(2,391)	3,459	2,718
4,157	5,349	6,451	7,872	299	270	817	962
(1,038)	355	(902)	1,608	-	-	-	-
-	-	-	-	-	-	248	(121)
<u>\$ 1,122,660</u>	<u>\$ 1,211,164</u>	<u>\$ 4,116,923</u>	<u>\$ 3,458,444</u>	<u>\$ 451,161</u>	<u>\$ 491,452</u>	<u>\$ 557,765</u>	<u>\$ 397,584</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,274	\$ (1,319)	\$ -	\$ -
8,759	4,753	316,273	6,999	-	-	-	-
-	-	-	1,110,192	-	-	-	-

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CITY OF FAIRMONT, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds				
	611				
	Parking Lot		Totals		Internal Service Fund
	2013	2012	2013	2012	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (33)	\$ (81)	\$ 3,740,892	\$ 3,277,630	\$ 58,754
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	-	-	6,102	50,606	-
Depreciation	-	-	1,483,395	1,474,274	18,139
(Increase) decrease in assets					
Net accounts receivable	-	22	(100,549)	(37,011)	-
Inventories	-	-	35,561	(17,200)	-
Prepaid items	-	-	-	(455)	15,000
Unamortized maintenance charges	-	-	50,780	50,780	-
Increase (decrease) in liabilities					
Accounts and contracts payable	3	(7)	(138,873)	(488,497)	(12,510)
Due to other governments	-	-	4,888	10,850	-
Accrued wages and sick leave/severance payable	-	-	36,710	15,846	(23,692)
Postemployment benefits other than pension obligation	-	-	7,567	9,104	-
Deposits payable	-	-	(902)	1,608	-
Unearned revenue	-	-	248	(121)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (30)</u>	<u>\$ (66)</u>	<u>\$ 5,125,819</u>	<u>\$ 4,347,414</u>	<u>\$ 55,691</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Amortization of bond discount/premium	\$ -	\$ -	\$ 7,274	\$ (1,319)	\$ -
Book value of disposed of assets	-	-	316,273	6,999	-
Capital assets acquired on account	-	-	-	1,110,192	-

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 286,746
Due from other funds	<u>1,372</u>
TOTAL ASSETS	<u><u>\$ 288,118</u></u>
LIABILITIES	
Accounts payable	\$ 273,048
Deposits payable	<u>15,070</u>
TOTAL LIABILITIES	<u><u>\$ 288,118</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Fairmont (the City) operates under its own Home Rule Charter. The City is governed by an elected Mayor and a five-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely presented component unit. The Fairmont Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of two Council members and five other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. In accordance with GASB Statement No. 61, this entity is properly presented as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the EDA is presented starting on page 159 of these financial statements.

Other agencies. The Fairmont Public Utilities Commission (the Commission) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has five Council approved members who serve overlapping three-year terms. The Minnesota statutes provide the Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The Public Utilities Commission fund considered to be part of the primary government and is included with the enterprise funds of this report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Fiduciary fund financial statements have no measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Airport Reconstruction Project fund* is used to account for costs associated with ongoing major repair, replacement and expansion projects at the municipal airport.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

The *Water Utility fund* - Water is obtained from surface water taken from Budd Lake, treated and distributed.

The *Wastewater Utility fund* - Sewage is collected by lift stations and treated, and then effluent is discharged into Center Creek.

The *Electric Utility fund* - Electricity is purchased from Southern MN Municipal Power Agency and Western Area Power Authority; the power is then distributed.

The *Storm Sewer Utility fund* is used to account for the operating maintenance and capital improvements of the City's Storm Sewer Utility.

The *Municipal Liquor fund* is used to account for the operation of the municipal off-sale liquor store.

The *Parking Lot fund* is used to account for costs associated with minor maintenance and parking control of the City's off-street parking lots in the downtown area.

Additionally, the government reports the following fund types:

Internal Service funds account for data processing, fleet management and insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Police Relief Trust, Convention and Visitors' Bureau (C.V.B.), Flex Plan, Multi-family Housing and HRA Potter's Addition.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's Public Utilities Commission and storm sewer utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain restricted assets are included in cash and cash equivalents.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month end cash and investment balances.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment policy

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2013 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration of Credit Risk* - At year end, the City's investments were made with two brokers. The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Investments for the City, as well as for its component unit, are reported at fair value. Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool in these funds is the same as the fair value of the pool shares.

It is the goal of the City to maximize interest earnings through the use of an ongoing, effective investment program. Therefore, it is the objective of the City to increase the volume of money in attractive high-yielding investments for the maximum period of time.

More than any other consideration, the safeguarding of public funds will be primary. Speculation is never justified. All investments will be properly protected with the required collateral and/or federal insurance. The City will invest only in those investment instruments authorized by statute. Minnesota statutes, chapters 118A.04, 118A.05 and 118A.06 set forth the authorized investments for a municipality.

Investments will be scheduled through the use of revenue and expenditure charting. The maturity dates of investments shall not exceed five (5) years from the purchase date without prior approval of the Council. In cases where it is prudent to match an obligation with a maturity in excess of five (5) years, the Finance Director will receive approval from the Council prior to the purchase of such an investment. It is a policy of the City to schedule investment maturities to coincide with paying dates.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2013. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts in the Public Utilities Commission enterprise funds at December 31, 2013 was \$63,474.

Property taxes

The Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Inventories and prepaid items/unamortized maintenance charges

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method, except for diesel fuel and coal inventories used in production of steam and electricity, which are on a last-in, first-out (LIFO) method.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or unamortized maintenance charges in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of the City's enterprise revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

In accordance with these covenants, debt service and reserve accounts have been established for the retirement of outstanding bonds. Cash, investments and related interest receivable are restricted to the extent necessary to meet these requirements.

Each month, one-twelfth of the subsequent year's principal and interest payments must be appropriated to the debt service account. The debt service account is designed to make all regular interest and principal payments on such outstanding bonds.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and structures	10 - 50
System infrastructure and improvements	10 - 100
Machinery, equipment and vehicles	5 - 33

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as "terminal leave" prior to retirement. All vacation and sick pay is accrued when incurred in the government-wide proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2011.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, loans and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Aeronautics and Lake Restoration special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Excess of expenditures over appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$7,208,988	\$7,384,085	\$ 175,097
Special revenue			
Aeronautics	228,209	371,061	142,852

These excess expenditures over appropriations were funded by an excess of revenues over budget and available fund balance.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2013:

Fund	Amount
Capital Projects	
2014 Capital Improvements	\$ 10,218
Debt Service	
Tax Increment District No. 22	8,184
Tax Increment District No. 23	7,533
Internal Service	
Central Garage and Equipment	20,858

The Capital Projects and Debt Service funds' deficits will be funded by future bond proceeds, tax increments and transfers from other funds. The Internal Service fund deficits will be funded by future charges to other funds.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

At year end, the City's carrying amount of deposits was \$9,922,038, including \$286,746 reported in fiduciary funds. The bank balance was \$10,171,453. The bank balance was covered by federal depository insurance of \$750,000. Of the remaining balance, \$9,421,453 was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits and investments are pooled.

At year end, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments			
Money Market Mutual Funds	NR	less than 6 months	\$ 7,173
Minnesota Municipal Money Market (4M Fund)	NR	less than 6 months	3,000,003
Total pooled investments			3,007,176
Non-pooled investments:			
Broker Certificates of Deposit	NR	less than 6 months	1,498,105
Broker Certificates of Deposit	NR	6 to 12 months	1,737,332
Broker Certificates of Deposit	NR	1 to 3 years	4,926,981
Broker Certificates of Deposit	NR	more than 3 years	4,690,212
Total Broker Certificates of Deposit			12,852,630
Asset Backed Securities	AAA/AA+	6 to 12 months	4,944,450
Community Capital Fund	NR	less than 6 months	25,000
Total non-pooled investments			17,822,080
Total investments			\$ 20,829,256

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A Indicates not applicable. NR indicates not rated.

(2) Interest rate risk is disclosed using the segmented time distribution method.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash on hand

Cash in the possession of the City, consisting of undeposited receipts, petty cash, and change funds totals \$3,792.

Cash and investments summary

A reconciliation of cash and investments as shown on the statement of net position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Agency Funds	Total
Deposits	\$ 9,446,364	\$ 188,928	\$ 286,746	\$ 9,922,038
Investments	20,829,256	-	-	20,829,256
Cash on hand	3,792	-	-	3,792
Total	<u>\$ 30,279,412</u>	<u>\$ 188,928</u>	<u>\$ 286,746</u>	<u>\$ 30,755,086</u>
Cash and cash equivalents	\$ 24,669,919	\$ 188,928	\$ 286,746	\$ 25,145,593
Investments	25,000	-	-	25,000
Escrowed investments	5,584,493	-	-	5,584,493
Total	<u>\$ 30,279,412</u>	<u>\$ 188,928</u>	<u>\$ 286,746</u>	<u>\$ 30,755,086</u>

B. Notes receivable

The City has received Federal grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest at 3 percent to 6 percent within twenty years. The balance of these notes at December 31, 2013 is \$768,244.

The City has received Federal grants to be used for housing loans to qualified residents for home improvements. The total notes receivable as of December 31, 2013 is \$296,101 of which \$30,465 represents the pay back portion which is to be paid back to the City with interest at 1 to 3 percent over 10 years. The remaining balance of \$265,636 is forgivable after five years from the note date.

Also, the Economic Development Authority (EDA) has made loans to businesses that are to be paid back to the City with interest at 1.5 to 5 percent over 2 to 10 years. The balance of these notes at December 31, 2013 is \$53,158.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

C. Capital assets

Primary government

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,949,478	\$ -	\$ -	\$ 3,949,478
Construction in progress	3,920,159	6,123,250	(2,160,502)	7,882,907
 Total capital assets not being depreciated	 7,869,637	 6,123,250	 (2,160,502)	 11,832,385
 Capital assets being depreciated				
Buildings and structures	8,890,240	117,702	-	9,007,942
Improvements other than buildings	6,540,809	2,431,746	-	8,972,555
Machinery and equipment	4,291,381	69,358	(20,970)	4,339,769
Vehicles	2,835,202	35,143	-	2,870,345
Infrastructure	41,818,231	178,044	-	41,996,275
Bridges	2,378,790	-	-	2,378,790
 Total capital assets being depreciated	 66,754,653	 2,831,993	 (20,970)	 69,565,676
 Less accumulated depreciation for				
Buildings and structures	(2,877,574)	(189,729)	-	(3,067,303)
Improvements other than buildings	(3,376,397)	(206,815)	-	(3,583,212)
Machinery and equipment	(3,573,315)	(119,860)	15,028	(3,678,147)
Vehicles	(2,311,484)	(116,235)	-	(2,427,719)
Infrastructure	(13,667,920)	(1,046,355)	-	(14,714,275)
Bridges	(943,208)	(59,470)	-	(1,002,678)
 Total accumulated depreciation	 (26,749,898)	 (1,738,464)	 15,028	 (28,473,334)
 Total capital assets being depreciated, net	 40,004,755	 1,093,529	 (5,942)	 41,092,342
 Governmental activities capital assets, net	 \$ 47,874,392	 \$ 7,216,779	 \$ (2,166,444)	 \$ 52,924,727

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,718,715	\$ -	\$ -	\$ 1,718,715
Construction in progress	24,180,962	7,556,406	(8,785)	31,728,583
Total capital assets not being depreciated	25,899,677	7,556,406	(8,785)	33,447,298
Capital assets being depreciated				
Buildings and structures	15,017,663	40,886	(1,048,600)	14,009,949
Improvements other than buildings	38,227,209	531,929	(2,335,834)	36,423,304
Machinery and equipment	10,476,024	186,952	(58,107)	10,604,869
Total capital assets being depreciated	63,720,896	759,767	(3,442,541)	61,038,122
Less accumulated depreciation for				
Buildings and structures	(4,990,599)	(259,473)	904,081	(4,345,991)
Improvements other than buildings	(18,267,152)	(775,092)	2,174,083	(16,868,161)
Machinery and equipment	(4,367,369)	(448,830)	55,781	(4,760,418)
Total accumulated depreciation	(27,625,120)	(1,483,395)	3,133,945	(25,974,570)
Total capital assets being depreciated, net	36,095,776	(723,628)	(308,596)	35,063,552
Business-type activities capital assets, net	<u>\$ 61,995,453</u>	<u>\$ 6,832,778</u>	<u>\$ (317,381)</u>	<u>\$ 68,510,850</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 48,954
Public safety	117,861
Streets and highways	1,168,876
Culture and recreation	138,516
Housing and economic development	64,141
Airport	181,977
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>18,139</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,738,464</u></u>

Business-type activities

Electric utility	\$ 425,669
Water utility	203,313
Wastewater utility	638,193
Storm sewer	172,303
Liquor	<u>43,917</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,483,395</u></u>

Construction commitments

The City has active construction projects as of December 31, 2013. The projects include street construction in areas with new commercial developments, widening and construction of existing streets, bridge improvements, and airport runway improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2012 Airport Improvements	\$ 4,246,281	\$ 13,996
Lair Bridge Road	2,353,280	88,976
2013 Street Improvements	<u>763,303</u>	<u>165,309</u>
Total	<u><u>\$ 7,362,864</u></u>	<u><u>\$ 268,281</u></u>

The special assessment portion of the commitment for street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

D. Interfund receivables, payables and transfers

Due to/from other funds

The composition of interfund balances at December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service	
	Medical self-insurance	\$ 205,000
Nonmajor governmental	Nonmajor governmental	715,836
Liquor	Nonmajor governmental	25,000
Internal service		
Medical self-insurance	Public Utilities Commission	34,001
	Storm Sewer Utility	1,047
	Municipal Liquor	3,294
	General	32,558
	Nonmajor governmental	524
	Internal service	
	Central garage and equipment	3,518
Worker's compensation self-insurance	General	9,953
	Internal service	
	Medical self-insurance	50,000
Agency		
Flex	General	173
	Nonmajor governmental	1,069
Total		<u>\$ 1,081,973</u>

The majority of the above amounts represent interfund billings that will repaid during the first couple of months of 2014. The General, Liquor and certain nonmajor governmental funds have loaned certain amounts for project costs and cash flow purposes.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Due to/from primary government/component unit

The composition of amounts due from/to primary government/component unit at December 31, 2013 is as follows:

Receivable Entity	Payable Entity	Amount
Component unit	Primary government	
Economic Development Authority	Medical self-insurance fund	\$ 883
Primary government	Component unit	
Amounts related to internal service fund elimination	Amounts related to internal service fund elimination	6,331

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2013 is as follows:

Fund	Transfers in				Total
	General	Debt Service	Reconstruction Project	Airport Nonmajor Governmental	
Transfers out					
Nonmajor governmental	\$ -	\$ 18,315	\$ -	\$ 675,974	\$ 694,289
Municipal Liquor	42,500	-	248,930	60,000	351,430
Water Utility	96,803	-	-	-	96,803
Wastewater Utility	88,168	-	-	-	88,168
Electric Utility	592,161	-	-	-	592,161
Total transfers out	<u>\$ 819,632</u>	<u>\$ 18,315</u>	<u>\$ 248,930</u>	<u>\$ 735,974</u>	<u>\$ 1,822,851</u>

The transfers of \$19,955 from the Municipal State Aid - Streets fund to the Capital Improvements funds are to transfer funds from the state of Minnesota for capital improvements.

The transfer of \$651,813 from the Municipal State Aids - Street fund to the Lair Road Bridge fund is for construction costs.

The transfer of \$18,315 from the Municipal State Aids - Street fund to the 2011 G.O. Bond fund is to cover bond issuance costs.

The transfer of \$4,206 from the Revolving Loan 2 fund to the Revolving Loan fund is to reconcile loan funds to the EDA report.

The transfer of \$42,500 from the Municipal Liquor fund to the General fund is for housing demolition.

The transfers of \$10,000 from the Municipal Liquor fund to the SMEC Restoration fund and \$50,000 to the Aeronautics fund are to cover any operating losses.

The transfer of \$248,930 from the Municipal Liquor fund to the Aeronautics Construction fund is to help fund airport improvements.

The transfer of \$777,132 from the Water Utility (\$96,803), Wastewater Utility (\$88,168) and the Electric Utility (\$592,161) funds to the General fund is payment in lieu of taxes.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Primary government debt

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. Ad valorem tax levies of \$10,887,229 are scheduled to be collected in future years for retirement of these bonds. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2005A	\$ 1,800,000	2.80 - 4.35 %	05/11/05	03/01/14	\$ 1,075,000
G.O. Refunding Bonds of 2005B	1,150,000	3.05 - 4.00	05/11/05	03/01/16	420,000
G.O. Improvement Bonds of 2006A	3,500,000	4.00 - 4.25	07/01/06	02/01/14	2,260,000
G.O. Improvement and Refunding Bonds of 2008A	5,325,000	3.00 - 4.00	06/19/08	03/01/16	3,515,000
G.O. Improvement Bonds of 2009A	3,590,000	2.00 - 4.00	09/16/09	04/01/25	1,460,000
G.O. Improvement Bonds of 2010A	2,615,000	2.00 - 3.50	06/17/10	03/01/26	2,145,000
G.O. Improvement Bonds of 2011A	1,820,000	2.00 - 4.00	09/20/11	09/01/27	1,715,000
G.O. Improvement Crossover Refunding Bonds of 2012A	5,755,000	0.50 - 1.95	03/15/12	03/01/24	5,755,000
G.O. Improvement Bonds of 2013A	1,715,000	2.00 - 3.75	08/22/13	03/01/29	1,715,000
Total G.O. Special Assessment Bonds					<u>\$ 20,060,000</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,365,000	\$ 1,067,581	\$ 5,432,581
2015	1,370,000	387,972	1,757,972
2016	3,925,000	782,323	4,707,323
2017	1,325,000	229,908	1,554,908
2018	1,335,000	207,423	1,542,423
2019 - 2023	5,435,000	678,529	6,113,529
2024 - 2028	2,170,000	158,518	2,328,518
2029	135,000	2,531	137,531
Total	<u>\$ 20,060,000</u>	<u>\$ 3,514,785</u>	<u>\$ 23,574,785</u>

General obligation revenue bonds

The following bonds were issued to finance capital improvements to the Public Utilities Commission and Storm Sewer Utility funds. They will be retired from net revenue of these funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2004 G.O. Revenue Notes (PFA)	\$ 13,248,347	1.73 %	05/25/04	08/20/24	\$ 8,174,000
G.O. Storm Sewer Refunding Bonds of 2009A	1,835,000	2.00 - 4.00	09/01/09	04/01/25	1,505,000
2011 G.O. Revenue Notes (PFA)	28,902,811 *	2.23	10/11/11	08/20/41	<u>26,026,762</u>
Total G.O. Revenue Bonds					<u>\$ 35,705,762</u>

* Included undrawn proceeds of \$1,955,238.

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2014	\$ 1,590,000	\$ 765,633	\$ 2,355,633
2015	1,624,000	778,519	2,402,519
2016	1,653,000	744,610	2,397,610
2017	1,692,000	709,744	2,401,744
2018	1,727,000	674,067	2,401,067
2019 - 2023	8,768,000	2,810,078	11,578,078
2024 - 2028	5,629,000	2,014,861	7,643,861
2029 - 2033	5,384,000	1,437,780	6,821,780
2034 - 2038	6,013,000	808,909	6,821,909
2039 - 2041	1,625,762	153,297	1,779,059
Total	<u>\$ 35,705,762</u>	<u>\$ 10,897,498</u>	<u>\$ 46,603,260</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation					
bonds	\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
General obligation special					
assessment bonds	19,690,000	1,715,000	(1,345,000)	20,060,000	4,365,000
Bond premiums	88,940	30,373	(7,464)	111,849	-
Bond discounts	(116,682)	-	116,682	-	-
Total bonds payable	19,727,258	1,745,373	(1,300,782)	20,171,849	4,365,000
Sick leave/severance payable	552,200	466,322	(465,465)	553,057	91,346
Postemployment benefits other than pensions obligation	121,538	49,295	(36,429)	134,404	-
Governmental activity long-term liabilities	<u>\$ 20,400,996</u>	<u>\$ 2,260,990</u>	<u>\$ (1,802,676)</u>	<u>\$ 20,859,310</u>	<u>\$ 4,456,346</u>
Business-type activities					
Bonds payable					
General obligation					
revenue bonds	\$ 28,983,160	\$ 8,466,602	\$ (1,744,000)	\$ 35,705,762	\$ 1,590,000
Bond premiums	25,409	-	(2,088)	23,321	-
Bond discounts	(9,362)	-	9,362	-	-
Total bonds payable	28,999,207	8,466,602	(1,736,726)	35,729,083	1,590,000
Sick leave/severance payable	525,869	246,821	(225,695)	546,995	125,316
Postemployment benefits other than pensions obligation	43,943	28,993	(21,426)	51,510	-
Business-type activity long-term liabilities	<u>\$ 29,569,019</u>	<u>\$ 8,742,416</u>	<u>\$ (1,983,847)</u>	<u>\$ 36,327,588</u>	<u>\$ 1,715,316</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Sick leave/severance payable	\$ 10,099	\$ 8,101	\$ (7,077)	\$ 11,123	\$ 398
Postemployment benefits other than pensions obligation	4,150	567	(419)	4,298	-
Component unit activity long-term liabilities	<u>\$ 14,249</u>	<u>\$ 8,668</u>	<u>\$ (7,496)</u>	<u>\$ 15,421</u>	<u>\$ 398</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Crossover Refunding Bond

On March 21, 2012, the City issued \$5,755,000 of G.O. Improvement Crossover Refunding Bonds, Series 2012A. The proceeds will refund the G.O. Improvement Bonds, Series 2005A on March 1, 2014, the G.O. Improvement Bonds, Series 2006A on February 1, 2014 and the G.O. Improvement Bonds, Series 2008A on March 1, 2016. The bonds were issued with a net interest cost of 1.4951297 percent. It is estimated the City will decrease its aggregate debt service payments by \$416,186 and obtain an economic gain of \$380,592.

Conduit debt obligations

The City has issued a Housing Facilities Revenue Refunding Note to provide financial assistance to Goldfinch Estates for the acquisition, construction and operation of a 72-unit senior living facility deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by Goldfinch Estates. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

<u>Issued to</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Balance at Year End</u>
Goldfinch Estates - Vista Prairie Communities Project	05/01/12	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

F. Components of fund balance

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	<u>General</u>	<u>Debt Service</u>	<u>Airport Reconstruction Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for					
Due from other funds	\$ -	\$ -	\$ -	\$ 205,000	\$ 205,000
Prepaid items	-	-	-	3,200	3,200
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,200</u>	<u>\$ 208,200</u>
Restricted for					
Debt service	\$ -	\$ 10,494,273	\$ -	\$ -	\$ 10,494,273
State aid street improvements	-	-	-	1,424,916	1,424,916
Airport reconstruction project	-	-	124,840	-	124,840
Housing and economic development	-	-	-	687,129	687,129
Total	<u>\$ -</u>	<u>\$ 10,494,273</u>	<u>\$ 124,840</u>	<u>\$ 2,112,045</u>	<u>\$ 12,731,158</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

	General	Debt Service	Airport Reconstruction Project	Other Governmental Funds	Total
Committed for					
Community center	\$ 3,036	\$ -	\$ -	\$ -	\$ 3,036
Library	12,614	-	-	-	12,614
Dog park	2,028	-	-	-	2,028
Focus on Fairmont	1,275	-	-	-	1,275
Bike trail	1,950	-	-	-	1,950
LaFrance	4,172	-	-	-	4,172
Fire department	110,500	-	-	-	110,500
Housing and economic development	-	-	-	23,396	23,396
Capital projects	-	-	-	401,259	401,259
Conservation	-	-	-	179,517	179,517
Total	<u>\$ 135,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,172</u>	<u>\$ 739,747</u>
Assigned for					
Police equipment	\$ 37,066	\$ -	\$ -	\$ -	\$ 37,066
Fire department truck	25,000	-	-	-	25,000
Building inspection	11,143	-	-	-	11,143
Housing demolition	10,388	-	-	-	10,388
Engineer equipment	110,596	-	-	-	110,596
Park equipment	115,478	-	-	-	115,478
Aquatic park	29,848	-	-	-	29,848
Police social	10,000	-	-	-	10,000
Finance equipment	161,666	-	-	-	161,666
Planning and zoning	20,000	-	-	-	20,000
Drug enforcement	14,802	-	-	-	14,802
FAYC	7,567	-	-	-	7,567
Civil defense	25,480	-	-	-	25,480
Street building	36,237	-	-	-	36,237
Park land	86,280	-	-	-	86,280
Government building	109,583	-	-	-	109,583
Street equipment	178,268	-	-	-	178,268
Housing and economic development	-	-	-	2,045,307	2,045,307
Total	<u>\$ 989,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,045,307</u>	<u>\$ 3,034,709</u>
Unassigned	<u>\$ 3,225,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,218)</u>	<u>\$ 3,214,818</u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of Fairmont are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2013. In 2013, the City of Fairmont was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members, 7.25 percent for Coordinated Plan GERP members and 14.40 percent for PEPFF members. The City's contributions (including the PUC and the EDA) to the GERP for the years ending December 31, 2013, 2012 and 2011 were \$310,694, \$313,505, and \$317,246 respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012 and 2011 were \$172,033, \$172,112, and \$167,875, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS

I. FIRE RELIEF ASSOCIATION

A. Plan description

Volunteer fire fighters of the City are members of the Fairmont Fire Fighters Relief Association (the Fire Relief Association). The Fire Relief Association is a single-employer defined benefit pension plan that operates under the provisions of Minnesota statutes, section 69 and 424, as amended. It is governed by a Board of seven officers and trustees elected by the members of the Fire Relief Association for three-year terms. The Mayor and City Clerk of the City are ex officio, nonvoting members of the Board of Trustees.

For financial reporting purposes, the Fire Relief Association's financial statements are not included in the City's financial statements because the Fire Relief Association is not a component unit of the City. The financial statements of the Fire Relief Association may be obtained at 216 East 4th Street, Fairmont, Minnesota 56031.

The City's payroll for fire fighters covered by the Fire Relief Association plan for the year ended December 31, 2013 was \$83,081.

B. Plan benefits

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. A fire fighter who completes at least 20 years as an active member of the Municipal Fire Department (the Fire Department) is entitled, after age 50, to a full service pension upon retirement. The service pension prescribed by the Association's bylaws was a monthly benefit of \$25.00 for each year of service completed by the individual. The bylaws have been amended and all future retirees will receive a lump sum benefit of \$3,800 per year of service.

The bylaws of the Fire Relief Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid.

A member of the Fire Relief Association who has completed 20 or more years of active service with the Fire Department but has not reached age 50 shall have the right to retire from the Fire Department without forfeiting the right to a service pension. The member shall be entitled to a deferred service pension and upon attaining the age of 50, the Fire Relief Association shall, upon application thereof, pay the member's pension from the date the application is approved.

A member is also entitled to lump sum disability benefits of \$3,800 for each year of service as an active member of the Fire Department in the event the member becomes totally disabled.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both an increase and decrease in assets and liabilities in the Fire Relief Association agency fund. The State aid for 2013 was \$80,500. The firefighter has no obligation to contribute to this pension plan.

C. Funding status

The amount shown as the "accrued liability" is based on the actuarial accrued liability measure as determined using the same actuarial assumptions as for funding purposes. This measure is substituted for the standardized measure required for disclosure purposes under the GASB Statement No. 27.

The assumed interest rate for the actuarial calculations was 5 percent compounded annually.

As calculated by applying the interest assumption to the latest actuarial valuation, the unfunded accrued pension liability was \$549,630 at December 31, 2013. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 163,765
Contributions made	
City (voluntary)	1,000
City (required)	82,265
State aid	80,500
Actuarial valuation date	12/31/13
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed *	Net Pension Obligation
12/31/13	\$ 163,765	100.0 %	\$ -
12/31/12	142,254	100.0	-
12/31/11	136,026	100.0	-

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF AND POLICEMEN'S BENEFIT ASSOCIATIONS - CONTINUED

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/13	\$ 1,450,370	\$ 2,000,000	\$ (549,630)	72.5 %	\$ 3,800
12/31/12	1,281,067	1,880,412	(599,345)	68.1	3,800
12/31/11	1,388,790	2,033,498	(644,708)	68.3	3,800

Note 6: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded this City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

During fiscal year 1984, the City established a self-insurance fund for health and dental benefits to account for and finance its uninsured risks of loss. In 2009, the City changed its funding of this plan from a self-funded to a premium based plan through Blue Cross Blue Shield of Minnesota.

All funds of the City participate in the program and make payments to the Medical Self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. This fund has a net liability of \$48,568 at December 31, 2013. The claims liability of \$15,093 reported in the fund at December 31, 2013 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Medical Self-insurance fund's claims liability amount in calendar 2013, 2012 and 2011 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2013	\$ 30,652	\$ 254,130	\$ (269,689)	\$ 15,093
2012	115,152	244,487	(328,987)	30,652
2011	20,801	431,342	(336,991)	115,152

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6: OTHER INFORMATION - CONTINUED

During 1987, the City was unable to obtain worker's compensation and general liability insurance at a cost it considered to be economically justifiable. In 1987, the City joined the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to LMCIT for its workers' compensation and general liability and property insurance coverage. The Agreement for Formation of the LMCIT provides that LMCIT will be self-sustaining through member premiums. Annual claims in excess of \$10,000 per event and \$100,000 in the aggregate are covered through reinsurance.

All funds of the City participate in the program and make payments to the Property, Equipment and Liability and Workers' Compensation Self-insurance funds based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. Net position at December 31, 2013 was \$541,553 and \$501,558 for the Property, Equipment and Liability and Workers' Compensation Self-insurance funds, respectively. The claims liabilities of \$0 reported in the Property, Equipment and Liability and Worker's Compensation funds at December 31, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Property, Equipment and Liability fund's claims liability amount in calendar 2013, 2012 and 2011 were:

<u>Year</u>	<u>January 1 Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>December 31 Claims Liability</u>
2013	\$ -	\$ 24,760	\$ (24,760)	\$ -
2012	-	29,172	(29,172)	-
2011	-	23,308	(23,308)	-

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The EDA has a limited debt service guarantee with the Housing and Redevelopment Authority (HRA). The guarantee limit is \$50,000 and is solely for the purpose of paying the debt service on the HRA's \$575,000 Essential Function Housing Development Revenue Bond of 2001. If there are ever insufficient funds available in the HRA's debt service account to pay the principal and interest on the bond, the EDA is obligated to make such debt service payments up to an aggregate limit of \$50,000.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6: OTHER INFORMATION - CONTINUED

C. Commitments

Power Purchase Commitment - Southern Minnesota Municipal Power Agency (SMMPA) is a municipal corporation of which the City of Fairmont is one of eighteen member municipalities, each of which owns and operates an electric distribution system. In 1981, the City entered into an agreement with SMMPA to purchase power from SMMPA until April 1, 2030, and in 2009 the City voted to extend the purchase power contract an additional 20 years, until April 1, 2050. The price of energy purchased is based upon the amount required to produce revenue necessary for SMMPA to meet all operating costs and debt commitments, and to maintain reasonable reserves.

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2013 was \$3,722,165. This accounted for 55 percent of General fund revenues.

E. Postemployment benefits other than pensions

Plan Description. The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City’s plan. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2013, the City contributed \$58,274 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Retiree Health Plan.

	Primary Government	Component Unit	Total
Annual required contribution	\$ 81,236	\$ 588	\$ 81,824
Interest on net OPEB obligation	7,578	55	7,633
Adjustment to annual required contribution	(10,526)	(76)	(10,602)
Annual OPEB cost	78,288	567	78,855
Contributions made	(57,855)	(419)	(58,274)
Increase in net OPEB obligation	20,433	148	20,581
Net OPEB obligation - beginning of year	165,481	4,150	169,631
NET OPEB obligation - end of year	\$ 185,914	\$ 4,298	\$ 190,212

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6: OTHER INFORMATION - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Primary Government		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/13	\$ 78,288	73.9%	\$ 185,914
12/31/12	77,673	67.8%	165,481
12/31/11	79,040	69.4%	140,494

Year Ending	Component Unit		
	Percentage		
	Percentage		
	Annual OPEB Cost	Annual OPEB Contributed	Net OPEB Obligation
12/31/13	\$ 567	73.9%	\$ 4,298
12/31/12	1,725	67.8%	4,150
12/31/11	1,991	69.4%	3,595

Funded status and funding progress. As of January 1, 2011, the City's actuarial accrued liability for benefits was \$690,112, all of which was unfunded. The City's covered payroll (annual payroll of active employees covered by the plan) was \$5,142,325, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.4 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF FAIRMONT, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 6: OTHER INFORMATION - CONTINUED

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.0 percent initially, reduced to an ultimate rate of 5.0 percent after eight years, was used.

Health insurance premiums - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 4.5 percent was used based on an intermediate growth scenario.

Actuarial method - Projected Unit Credit with 30-year amortization of the unfunded liability.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 3.0 percent.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 was 24 years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF FAIRMONT, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Liability - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Payroll ((b-a)/c)
01/01/11	\$ -	\$ 690,112	\$ 690,112	- %	\$ 5,142,325	13.4 %
01/01/08	-	838,818	838,818	-	5,185,446	16.2

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF FAIRMONT, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,665,998	\$ 1,468,176	\$ 3,134,174
Investments	25,000	-	25,000
Receivables			
Delinquent taxes	1,769	-	1,769
Accounts	14,863	-	14,863
Loans	1,064,345	-	1,064,345
Intergovernmental	60,352	179,400	239,752
Due from other funds	-	715,836	715,836
Prepaid items	3,200	-	3,200
TOTAL ASSETS	<u><u>\$ 2,835,527</u></u>	<u><u>\$ 2,363,412</u></u>	<u><u>\$ 5,198,939</u></u>
LIABILITIES			
Accounts and contracts payable	\$ 18,326	\$ 98,418	\$ 116,744
Due to other funds	26,593	-	26,593
Accrued wages payable	3,226	-	3,226
TOTAL LIABILITIES	<u>48,145</u>	<u>98,418</u>	<u>146,563</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	1,769	-	1,769
Unavailable revenue - loans	296,101	-	296,101
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>297,870</u>	<u>-</u>	<u>297,870</u>
FUND BALANCES			
Nonspendable	3,200	-	3,200
Restricted	238,092	1,873,953	2,112,045
Committed	202,913	401,259	604,172
Assigned	2,045,307	-	2,045,307
Unassigned	-	(10,218)	(10,218)
TOTAL FUND BALANCES	<u>2,489,512</u>	<u>2,264,994</u>	<u>4,754,506</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 2,835,527</u></u>	<u><u>\$ 2,363,412</u></u>	<u><u>\$ 5,198,939</u></u>

CITY OF FAIRMONT, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 50,109	\$ -	\$ 50,109
Intergovernmental	154,474	1,279,971	1,434,445
Charges for services	78,406	-	78,406
Investment earnings	10,650	7,322	17,972
Miscellaneous	261,001	400	261,401
TOTAL REVENUES	554,640	1,287,693	1,842,333
EXPENDITURES			
Current			
Housing and economic development	121,410	-	121,410
Miscellaneous	336,450	-	336,450
Capital outlay			
Streets and highways	-	2,316,402	2,316,402
Miscellaneous	501,064	-	501,064
TOTAL EXPENDITURES	958,924	2,316,402	3,275,326
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(404,284)	(1,028,709)	(1,432,993)
OTHER FINANCING SOURCES (USES)			
Transfers in	64,206	671,768	735,974
Bonds issued	-	1,605,734	1,605,734
Transfers out	(4,206)	(690,083)	(694,289)
TOTAL OTHER FINANCING SOURCES (USES)	60,000	1,587,419	1,647,419
NET CHANGE IN FUND BALANCES	(344,284)	558,710	214,426
FUND BALANCES, JANUARY 1	2,833,796	1,706,284	4,540,080
FUND BALANCES, DECEMBER 31	\$ 2,489,512	\$ 2,264,994	\$ 4,754,506

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision, or local ordinance to finance particular functions or activities of government.

Central College Incubator: This fund accounts for the activities relating to the operations of the Southern Minnesota Education Campus building.

Wetland Bank: This fund accounts for the management of wetland credits owned by the City.

Revolving Loan: This fund accounts for Federal and State grants received by the City which are loaned for economic development purposes under the guidelines established by the Fairmont Economic Development Authority.

Revolving Loan 2: This fund accounts for Federal and State grants received by the City which are loaned for economic development purposes under the guidelines established by the Fairmont Economic Development Authority.

State Housing Grant I, II, III and 2011: These funds account for Small Cities Development Program Federal Grants used to improve housing for low income citizens within the City.

Aeronautics: This fund accounts for the administrative and maintenance costs of operating the Fairmont municipal airport.

Lake Restoration: This fund accounts for the City's on going lake dredging program.

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CITY OF FAIRMONT, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan
ASSETS			
Cash and cash equivalents	\$ 22,745	\$ 66,568	\$ 120,038
Investments	-	-	-
Receivables			
Delinquent taxes	-	-	-
Accounts	3,245	-	-
Loans	-	-	528,811
Intergovernmental	-	-	-
Prepaid items	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 25,990</u></u>	<u><u>\$ 66,568</u></u>	<u><u>\$ 648,849</u></u>
LIABILITIES			
Accounts and contracts payable	\$ 2,594	\$ -	\$ -
Due to other funds	-	-	-
Accrued wages payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,594</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - loans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	234,958
Committed	23,396	-	-
Assigned	-	66,568	413,891
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>23,396</u>	<u>66,568</u>	<u>648,849</u>
TOTAL LIABILITIES, DEFERRD INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 25,990</u></u>	<u><u>\$ 66,568</u></u>	<u><u>\$ 648,849</u></u>

216 Revolving Loan 2	220 State Housing Grant I	222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	230 Aeronautics	240 Lake Restoration	Total Nonmajor Special Revenue
\$ 508,844 25,000	\$ - -	\$ 3,134 -	\$ 3,903 -	\$ 17,681 -	\$ 7,527 -	\$ 915,558 -	\$ 1,665,998 25,000
-	-	-	-	-	1,769	-	1,769
-	-	-	-	-	3,907	7,711	14,863
239,433	3,763	29,573	141,291	121,474	-	-	1,064,345
-	-	-	-	-	60,352	-	60,352
-	-	-	-	-	3,200	-	3,200
<u>\$ 773,277</u>	<u>\$ 3,763</u>	<u>\$ 32,707</u>	<u>\$ 145,194</u>	<u>\$ 139,155</u>	<u>\$ 76,755</u>	<u>\$ 923,269</u>	<u>\$ 2,835,527</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,172	\$ 2,560	\$ 18,326
-	-	-	-	-	26,593	-	26,593
-	-	-	-	-	3,226	-	3,226
-	-	-	-	-	42,991	2,560	48,145
-	-	-	-	-	1,769	-	1,769
-	3,763	29,573	141,291	121,474	-	-	296,101
-	3,763	29,573	141,291	121,474	1,769	-	297,870
-	-	-	-	-	3,200	-	3,200
-	-	3,134	-	-	-	-	238,092
-	-	-	-	-	-	179,517	202,913
773,277	-	-	3,903	17,681	28,795	741,192	2,045,307
773,277	-	3,134	3,903	17,681	31,995	920,709	2,489,512
<u>\$ 773,277</u>	<u>\$ 3,763</u>	<u>\$ 32,707</u>	<u>\$ 145,194</u>	<u>\$ 139,155</u>	<u>\$ 76,755</u>	<u>\$ 923,269</u>	<u>\$ 2,835,527</u>

CITY OF FAIRMONT, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	212 Central College Incubator	214 Wetland Bank	215 Revolving Loan
REVENUES			
Taxes			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal			
SCDP grant	-	-	-
State			
Airport maintenance aid	-	-	-
Charges for services			
Miscellaneous	-	-	-
Investment earnings (loss)	91	343	742
Miscellaneous			
Rents	-	-	-
Loan payments	-	-	17,397
Other	42,102	-	2,250
	<u>42,193</u>	<u>343</u>	<u>20,389</u>
TOTAL REVENUES			
	<u>42,193</u>	<u>343</u>	<u>20,389</u>
EXPENDITURES			
Current			
Housing and economic development	51,406	-	1,282
Miscellaneous			
Conservation - water resources	-	-	-
Airport operation and maintenance	-	-	-
Capital outlay			
Miscellaneous			
Conservation - water resources	-	-	-
Airport operation and maintenance	-	-	-
	<u>51,406</u>	<u>-</u>	<u>1,282</u>
TOTAL EXPENDITURES			
	<u>51,406</u>	<u>-</u>	<u>1,282</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,213)</u>	<u>343</u>	<u>19,107</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	-	-
Transfers out	-	-	(4,206)
	<u>10,000</u>	<u>-</u>	<u>(4,206)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>10,000</u>	<u>-</u>	<u>(4,206)</u>
NET CHANGE IN FUND BALANCES	787	343	14,901
FUND BALANCES, JANUARY 1	<u>22,609</u>	<u>66,225</u>	<u>633,948</u>
FUND BALANCES, DECEMBER 31	<u>\$ 23,396</u>	<u>\$ 66,568</u>	<u>\$ 648,849</u>

216 Revolving Loan 2	220 State Housing Grant I	222 State Housing Grant II	224 State Housing Grant III	226 State Housing Grant 2011	230 Aeronautics	240 Lake Restoration	Total Nonmajor Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,109	\$ -	\$ 50,109
-	-	-	-	53,827	-	-	53,827
-	-	-	-	-	100,647	-	100,647
-	-	-	-	-	-	78,406	78,406
2,590	-	-	-	124	(171)	6,931	10,650
-	-	-	-	-	136,281	-	136,281
7,350	-	7,637	1,492	-	-	-	33,876
30	-	-	-	-	46,462	-	90,844
<u>9,970</u>	<u>-</u>	<u>7,637</u>	<u>1,492</u>	<u>53,951</u>	<u>333,328</u>	<u>85,337</u>	<u>554,640</u>
313	-	7,000	569	60,840	-	-	121,410
-	-	-	-	-	-	8,040	8,040
-	-	-	-	-	328,410	-	328,410
-	-	-	-	-	-	458,413	458,413
-	-	-	-	-	42,651	-	42,651
<u>313</u>	<u>-</u>	<u>7,000</u>	<u>569</u>	<u>60,840</u>	<u>371,061</u>	<u>466,453</u>	<u>958,924</u>
<u>9,657</u>	<u>-</u>	<u>637</u>	<u>923</u>	<u>(6,889)</u>	<u>(37,733)</u>	<u>(381,116)</u>	<u>(404,284)</u>
4,206	-	-	-	-	50,000	-	64,206
-	-	-	-	-	-	-	(4,206)
<u>4,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>60,000</u>
13,863	-	637	923	(6,889)	12,267	(381,116)	(344,284)
<u>759,414</u>	<u>-</u>	<u>2,497</u>	<u>2,980</u>	<u>24,570</u>	<u>19,728</u>	<u>1,301,825</u>	<u>2,833,796</u>
<u>\$ 773,277</u>	<u>\$ -</u>	<u>\$ 3,134</u>	<u>\$ 3,903</u>	<u>\$ 17,681</u>	<u>\$ 31,995</u>	<u>\$ 920,709</u>	<u>\$ 2,489,512</u>

CITY OF FAIRMONT, MINNESOTA
AERONAUTICS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 50,000	\$ 50,109	\$ 109	\$ 50,089
Intergovernmental				
State				
Airport maintenance aid	60,000	100,647	40,647	62,481
Investment earnings (loss)	-	(171)	(171)	(311)
Miscellaneous				
Rents	96,214	136,281	40,067	51,891
Other	-	46,462	46,462	-
TOTAL REVENUES	<u>206,214</u>	<u>333,328</u>	<u>127,114</u>	<u>164,150</u>
EXPENDITURES				
Current				
Miscellaneous				
Airport operation and maintenance				
Personal services	25,343	40,042	(14,699)	24,906
Supplies	13,550	89,654	(76,104)	7,580
Other services and charges	139,316	198,714	(59,398)	168,092
Capital outlay				
Miscellaneous				
Airport operation and maintenance	50,000	42,651	7,349	56,000
TOTAL EXPENDITURES	<u>228,209</u>	<u>371,061</u>	<u>(142,852)</u>	<u>256,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,995)	(37,733)	(15,738)	(92,428)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>108,000</u>
NET CHANGE IN FUND BALANCES	28,005	12,267	(15,738)	15,572
FUND BALANCES, JANUARY 1	<u>19,728</u>	<u>19,728</u>	<u>-</u>	<u>4,156</u>
FUND BALANCES, DECEMBER 31	<u>\$ 47,733</u>	<u>\$ 31,995</u>	<u>\$ (15,738)</u>	<u>\$ 19,728</u>

CITY OF FAIRMONT, MINNESOTA
LAKE RESTORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 5,000	\$ 6,931	\$ 1,931	\$ 12,576
Charges for services				
Miscellaneous - restoration	65,000	78,406	13,406	65,073
TOTAL REVENUES	70,000	85,337	15,337	77,649
EXPENDITURES				
Current				
Miscellaneous				
Conservation - water resources				
Supplies	2,000	344	1,656	1,347
Other services and charges	9,500	7,696	1,804	8,890
Capital outlay				
Miscellaneous				
Conservation - water resources	750,000	458,413	291,587	-
TOTAL EXPENDITURES	761,500	466,453	295,047	10,237
NET CHANGE IN FUND BALANCES	(691,500)	(381,116)	310,384	67,412
FUND BALANCES, JANUARY 1	1,301,825	1,301,825	-	1,234,413
FUND BALANCES, DECEMBER 31	\$ 610,325	\$ 920,709	\$ 310,384	\$ 1,301,825

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Enterprise Funds.

Lair Road Bridge: This fund is used to account for costs associated with the Lair Bridge project which began in 2010.

Municipal State Aid - Streets: This fund is used to account for revenues received from the State of Minnesota to help pay costs of improvements on Minnesota State Aid Streets within the City.

2012 Capital Improvements: This fund is used to account for costs associated with major street replacement projects which began in 2012. This fund was closed in 2013.

2013 Capital Improvements: This fund is used to account for costs associated with major street replacement projects which began in 2013.

2014 Capital Improvements: This fund is used to account for costs associated with major street replacement projects which began in 2013 but the majority of costs will be in 2014.

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CITY OF FAIRMONT, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	410	402	472
	Lair Road Bridge	Municipal State Aid - Streets	2012 Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 449,285	\$ 529,680	\$ -
Receivables			
Intergovernmental	-	179,400	-
Due from other funds	-	715,836	-
	<u>-</u>	<u>715,836</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 449,285</u></u>	<u><u>\$ 1,424,916</u></u>	<u><u>\$ -</u></u>
LIABILITIES			
Accounts and contracts payable	<u>\$ 48,026</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted	-	1,424,916	
Committed	401,259	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>401,259</u>	<u>1,424,916</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 449,285</u></u>	<u><u>\$ 1,424,916</u></u>	<u><u>\$ -</u></u>

473 2013 Capital Improvements	474 2014 Capital Improvements	Total Nonmajor Capital Projects
\$ 489,211	\$ -	\$ 1,468,176
-	-	179,400
-	-	715,836
<u>\$ 489,211</u>	<u>\$ -</u>	<u>\$ 2,363,412</u>
<u>\$ 40,174</u>	<u>\$ 10,218</u>	<u>\$ 98,418</u>
449,037		1,873,953
-	-	401,259
-	(10,218)	(10,218)
<u>449,037</u>	<u>(10,218)</u>	<u>2,264,994</u>
<u>\$ 489,211</u>	<u>\$ -</u>	<u>\$ 2,363,412</u>

CITY OF FAIRMONT, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	410	402	472
	Lair Road Bridge	Municipal State Aid - Streets	2012 Capital Improvements
REVENUES			
Intergovernmental			
State			
Street construction aid	\$ 1,028,599	\$ 251,372	\$ -
Investment earnings (loss)	(2,900)	9,296	-
Miscellaneous			
Refunds and reimbursements	-	-	-
	<u>1,025,699</u>	<u>260,668</u>	<u>-</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
Streets and highways	1,135,485	-	278
	<u>1,135,485</u>	<u>-</u>	<u>278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,786)</u>	<u>260,668</u>	<u>(278)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	651,814	-	7,556
Bonds issued	-	-	-
Transfers out	-	(690,083)	-
	<u>651,814</u>	<u>(690,083)</u>	<u>7,556</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	542,028	(429,415)	7,278
FUND BALANCES, JANUARY 1	<u>(140,769)</u>	<u>1,854,331</u>	<u>(7,278)</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 401,259</u></u>	<u><u>\$ 1,424,916</u></u>	<u><u>\$ -</u></u>

473 2013 Capital Improvements	474 2014 Capital Improvements	Total Nonmajor Capital Projects
\$ - 926	\$ - -	\$ 1,279,971 7,322
<u>400</u>	<u>-</u>	<u>400</u>
1,326	-	1,287,693
<u>1,158,023</u>	<u>22,616</u>	<u>2,316,402</u>
<u>(1,156,697)</u>	<u>(22,616)</u>	<u>(1,028,709)</u>
- 1,605,734 -	12,398 - -	671,768 1,605,734 (690,083)
<u>1,605,734</u>	<u>12,398</u>	<u>1,587,419</u>
449,037	(10,218)	558,710
<u>-</u>	<u>-</u>	<u>1,706,284</u>
<u>\$ 449,037</u>	<u>\$ (10,218)</u>	<u>\$ 2,264,994</u>

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THE GENERAL FUND

The General fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, rents and charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.

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CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 4,848,060	\$ 4,594,653
Receivables		
Interest	36,097	20,073
Delinquent taxes	64,420	56,022
Special assessments	11,805	19,654
Accounts	36,783	24,055
Intergovernmental	24,794	19,190
Due from other funds	<u>205,000</u>	<u>205,000</u>
 TOTAL ASSETS	 <u><u>\$ 5,226,959</u></u>	 <u><u>\$ 4,938,647</u></u>
LIABILITIES		
Accounts and contracts payable	\$ 351,465	\$ 225,781
Due to other funds	42,684	44,261
Due to other governments	320	2,237
Accrued wages payable	182,814	176,058
Unearned revenue	<u>18,438</u>	<u>17,725</u>
 TOTAL LIABILITIES	 <u>595,721</u>	 <u>466,062</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	64,420	56,022
Unavailable revenue - special assessments	<u>11,805</u>	<u>19,654</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>76,225</u>	 <u>75,676</u>
FUND BALANCES		
Nonspendable	205,000	205,000
Committed	135,575	104,777
Assigned	989,402	909,063
Unassigned	<u>3,225,036</u>	<u>3,178,069</u>
 TOTAL FUND BALANCES	 <u>4,555,013</u>	 <u>4,396,909</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 5,226,959</u></u>	 <u><u>\$ 4,938,647</u></u>

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 1,912,974	\$ 1,912,974	\$ 1,913,636	\$ 662	\$ 1,827,095
Franchise taxes	35,000	35,000	36,205	1,205	34,343
Total taxes	1,947,974	1,947,974	1,949,841	1,867	1,861,438
Licenses and permits					
Business	33,400	33,400	38,110	4,710	32,908
Nonbusiness	135,800	135,800	96,250	(39,550)	160,074
Total licenses and permits	169,200	169,200	134,360	(34,840)	192,982
Intergovernmental					
Federal					
Other Federal aids	-	-	-	-	6,504
State					
Local government aid	3,722,165	3,722,165	3,722,165	-	3,722,165
Property tax credits	-	-	805	805	780
Street maintenance aid	29,085	29,085	29,085	-	29,085
Police aid	6,000	6,000	139,491	133,491	141,741
Fire aid	-	-	84,500	84,500	52,920
Other State aids	21,672	21,672	21,672	-	24,245
Total State	3,778,922	3,778,922	3,997,718	218,796	3,970,936
County					
Other County aids	-	-	8,220	8,220	-
Total intergovernmental	3,778,922	3,778,922	4,005,938	227,016	3,977,440
Charges for services					
General government	8,500	8,500	11,671	3,171	10,462
Public safety	44,000	44,000	58,503	14,503	59,610
Sanitation	93,750	93,750	103,531	9,781	14,471
Culture and recreation	134,200	134,200	163,980	29,780	154,816
Total charges for services	280,450	280,450	337,685	57,235	239,359
Fines and forfeits					
Court fines	83,707	83,707	55,394	(28,313)	74,671
Investment earnings (loss)	45,000	45,000	(74,086)	(119,086)	34,270
Miscellaneous					
Rents	49,950	49,950	70,046	20,096	35,013
Contributions and donations	-	-	174,350	174,350	78,193
Other	57,000	57,000	59,846	2,846	73,851
Total miscellaneous	106,950	106,950	304,242	197,292	187,057
TOTAL REVENUES	6,412,203	6,412,203	6,713,374	301,171	6,567,217

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

EXPENDITURES	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current					
General government					
Mayor and Council					
Personal services	\$ 17,556	\$ 17,556	\$ 27,699	\$ (10,143)	\$ 17,932
Supplies	2,500	2,500	2,032	468	1,788
Other services and charges	5,500	5,500	4,707	793	7,432
Total Mayor and Council	25,556	25,556	34,438	(8,882)	27,152
City Administrator					
Personal services	84,363	84,363	88,896	(4,533)	101,708
Supplies	3,750	3,750	1,671	2,079	2,647
Other services and charges	13,000	13,000	18,917	(5,917)	15,792
Total city administrator	101,113	101,113	109,484	(8,371)	120,147
Elections					
Personal services	10,538	10,538	13,876	(3,338)	25,363
Supplies	2,000	2,000	-	2,000	2,342
Other services and charges	1,750	1,750	52	1,698	210
Total elections	14,288	14,288	13,928	360	27,915
Recording and reporting					
Personal services	52,691	52,691	82,176	(29,485)	83,958
Supplies	3,300	3,300	1,105	2,195	2,376
Other services and charges	4,175	4,175	3,971	204	4,140
Total recording and reporting	60,166	60,166	87,252	(27,086)	90,474
Local access channel					
Personal services	1,934	1,934	1,604	330	1,873
Supplies	2,000	2,000	363	1,637	50
Other services and charges	5,830	5,830	5,855	(25)	5,675
Total local access channel	9,764	9,764	7,822	1,942	7,598
Accounting					
Personal services	168,860	168,860	193,582	(24,722)	163,040
Supplies	4,000	4,000	2,892	1,108	4,125
Other services and charges	120,075	120,075	122,061	(1,986)	92,295
Total accounting	292,935	292,935	318,535	(25,600)	259,460
City attorney					
Personal services	139,637	139,637	143,290	(3,653)	166,672
Supplies	3,000	3,000	2,464	536	2,504
Other services and charges	10,722	10,722	8,115	2,607	7,994
Total city attorney	153,359	153,359	153,869	(510)	177,170

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government - Continued					
Planning and zoning					
Personal services	\$ 103,075	\$ 103,075	\$ 100,858	\$ 2,217	\$ 66,940
Supplies	1,800	1,800	674	1,126	839
Other services and charges	4,120	4,120	2,124	1,996	2,968
Total planning and zoning	108,995	108,995	103,656	5,339	70,747
General government building					
Personal services	73,926	73,926	74,404	(478)	47,015
Supplies	8,200	8,200	4,010	4,190	15,398
Other services and charges	56,385	56,385	72,019	(15,634)	51,921
Total general government building	138,511	138,511	150,433	(11,922)	114,334
Library building					
Supplies	6,000	6,000	4,707	1,293	30,797
Other services and charges	56,060	56,060	49,714	6,346	53,972
Total library building	62,060	62,060	54,421	7,639	84,769
Other general government					
Other services and charges	213,900	213,900	163,091	50,809	178,016
Total general government	1,180,647	1,180,647	1,196,929	(16,282)	1,157,782
Public safety					
Police					
Administration					
Personal services	386,307	386,307	380,330	5,977	372,677
Supplies	5,000	5,000	5,368	(368)	2,363
Other services and charges	21,840	21,840	15,139	6,701	14,059
Total administration	413,147	413,147	400,837	12,310	389,099
Crime control					
Personal services	1,429,582	1,429,582	1,488,701	(59,119)	1,440,218
Supplies	92,600	92,600	76,416	16,184	119,585
Other services and charges	211,078	211,078	227,039	(15,961)	214,223
Total crime control	1,733,260	1,733,260	1,792,156	(58,896)	1,774,026
Training					
Personal services	24,780	24,780	25,927	(1,147)	25,201
Supplies	2,000	2,000	-	2,000	-
Other services and charges	19,160	19,160	22,453	(3,293)	12,920
Total training	45,940	45,940	48,380	(2,440)	38,121

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

EXPENDITURES - CONTINUED	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current - Continued					
Public safety - Continued					
Police					
D.A.R.E. program					
Supplies	\$ 5,340	\$ 5,340	\$ 1,845	\$ 3,495	\$ 699
Crossing guards					
Personal services	-	-	52	(52)	159
Other services and charges	3,000	3,000	6	2,994	20
Total crossing guards	3,000	3,000	58	2,942	179
Drug task force					
Other services and charges	500	500	3,665	(3,165)	1,602
Total police	2,201,187	2,201,187	2,246,941	(45,754)	2,203,726
Fire					
Fire fighting					
Personal services	168,612	168,612	264,419	(95,807)	166,480
Supplies	57,500	57,500	30,493	27,007	38,657
Other services and charges	45,770	45,770	101,610	(55,840)	77,697
Total fire fighting	271,882	271,882	396,522	(124,640)	282,834
Training					
Personal services	40,279	40,279	31,298	8,981	37,533
Supplies	8,000	8,000	-	8,000	2,900
Other services and charges	7,200	7,200	8,010	(810)	10,991
Total training	55,479	55,479	39,308	16,171	51,424
Total fire	327,361	327,361	435,830	(108,469)	334,258
Inspection					
Building inspection					
Personal services	143,900	143,900	146,294	(2,394)	135,475
Supplies	7,100	7,100	4,518	2,582	4,069
Other services and charges	10,900	10,900	12,159	(1,259)	12,100
Total building inspection	161,900	161,900	162,971	(1,071)	151,644
Fire inspection					
Personal services	20,817	20,817	20,490	327	19,306
Supplies	900	900	297	603	702
Other services and charges	1,225	1,225	282	943	485
Total fire inspection	22,942	22,942	21,069	1,873	20,493
Total inspection	184,842	184,842	184,040	802	172,137
Civil defense					
Supplies	3,800	3,800	146	3,654	135
Other services and charges	3,320	3,320	219	3,101	1,776
Total civil defense	7,120	7,120	365	6,755	1,911

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public safety - Continued					
Animal control					
Personal services	\$ 81,400	\$ 81,400	\$ 78,082	\$ 3,318	\$ 76,938
Supplies	10,725	10,725	12,006	(1,281)	11,218
Other services and charges	28,349	28,349	24,716	3,633	26,561
Total animal control	120,474	120,474	114,804	5,670	114,717
Total public safety	2,840,984	2,840,984	2,981,980	(140,996)	2,826,749
Streets and highways					
Paved streets					
Personal services	376,081	376,081	299,151	76,930	342,132
Supplies	144,250	144,250	152,907	(8,657)	191,229
Other services and charges	50,950	50,950	43,702	7,248	38,268
Total paved streets	571,281	571,281	495,760	75,521	571,629
Ice and snow removal					
Personal services	167,360	167,360	135,313	32,047	155,661
Supplies	35,500	35,500	53,855	(18,355)	17,129
Other services and charges	7,300	7,300	19,923	(12,623)	21,802
Total ice and snow removal	210,160	210,160	209,091	1,069	194,592
Road and bridge equipment					
Personal services	33,471	33,471	64,020	(30,549)	31,131
Supplies	77,000	77,000	17,813	59,187	19,718
Other services and charges	36,350	36,350	146,134	(109,784)	130,370
Total road and bridge equipment	146,821	146,821	227,967	(81,146)	181,219
Street lighting					
Other services and charges	231,600	231,600	217,028	14,572	220,678
Engineering					
Personal services	289,809	289,809	257,835	31,974	280,506
Supplies	12,700	12,700	7,399	5,301	8,317
Other services and charges	43,670	43,670	34,120	9,550	33,780
Total engineering	346,179	346,179	299,354	46,825	322,603
Total streets and highways	1,506,041	1,506,041	1,449,200	56,841	1,490,721
Sanitation and waste removal					
Weed control					
Other services and charges	6,850	6,850	11,916	(5,066)	10,274
Culture and recreation					
Parks					
Personal services	630,973	630,973	543,501	87,472	552,259
Supplies	81,200	81,200	87,629	(6,429)	74,515
Other services and charges	144,100	144,100	125,658	18,442	130,977
Total parks	856,273	856,273	756,788	99,485	757,751
Recreation - ball diamonds					
Personal services	25,000	25,000	21,511	3,489	16,490
Recreation - ice rinks (outdoor)					
Other services and charges	30,700	30,700	87,183	(56,483)	69,066

CITY OF FAIRMONT, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation - Continued					
Recreation - garbage collection					
Personal services	\$ 30,473	\$ 30,473	\$ 25,804	\$ 4,669	\$ 26,109
Supplies	3,900	3,900	3,018	882	3,898
Other services and charges	89,850	89,850	54,599	35,251	6,405
Total recreation - garbage collection	124,223	124,223	83,421	40,802	36,412
Recreation - aquatic park					
Personal services	184,466	184,466	200,568	(16,102)	195,745
Supplies	59,000	59,000	52,694	6,306	53,484
Other services and charges	69,304	69,304	81,728	(12,424)	78,628
Total recreation - aquatic park	312,770	312,770	334,990	(22,220)	327,857
Total culture and recreation	1,348,966	1,348,966	1,283,893	65,073	1,207,576
Total current	6,883,488	6,883,488	6,923,918	(40,430)	6,693,102
Capital outlay					
General government	70,000	70,000	11,870	58,130	42,077
Public safety	60,000	60,000	365,004	(305,004)	31,781
Streets and highways	125,000	125,000	1,350	123,650	156,336
Culture and recreation	70,500	70,500	81,943	(11,443)	1,324,292
Total capital outlay	325,500	325,500	460,167	(134,667)	1,554,486
TOTAL EXPENDITURES	7,208,988	7,208,988	7,384,085	(175,097)	8,247,588
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(796,785)	(796,785)	(670,711)	126,074	(1,680,371)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	9,183	9,183	42,104
Transfers in	819,632	819,632	819,632	-	780,703
TOTAL OTHER FINANCING SOURCES (USES)	819,632	819,632	828,815	9,183	822,807
NET CHANGE IN FUND BALANCES	22,847	22,847	158,104	135,257	(857,564)
FUND BALANCES, JANUARY 1	4,396,909	4,396,909	4,396,909	-	5,254,473
FUND BALANCES, DECEMBER 31	\$ 4,419,756	\$ 4,419,756	\$ 4,555,013	\$ 135,257	\$ 4,396,909

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DEBT SERVICE FUNDS

Debt Service funds are created to account for the payment of interest and principal on long-term, general obligation debt other than that payable from debt issued for and serviced primarily by a governmental enterprise.

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CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2013

	323	349	369
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
ASSETS			
Cash and cash equivalents	\$ 1,904,214	\$ 103,802	\$ 621,099
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	2,623	3,414	3,120
Special assessments			
Delinquent	20,463	852	407,302
Noncurrent	499,614	14,657	17,482
Intergovernmental	3,606	1,520	2,475
Due from other funds	15,717	-	-
	<u>2,446,237</u>	<u>124,245</u>	<u>1,051,478</u>
TOTAL ASSETS	<u>\$ 2,446,237</u>	<u>\$ 124,245</u>	<u>\$ 1,051,478</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	2,623	3,414	3,120
Unavailable revenue - special assessments	520,077	15,509	424,784
	<u>522,700</u>	<u>18,923</u>	<u>427,904</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>522,700</u>	<u>18,923</u>	<u>427,904</u>
FUND BALANCES			
Restricted	1,923,537	105,322	623,574
	<u>1,923,537</u>	<u>105,322</u>	<u>623,574</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,446,237</u>	<u>\$ 124,245</u>	<u>\$ 1,051,478</u>

CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2013

	305	317 Cenex	370
	Fire Truck Debt	Harvest States Development Notes	2010A Refunding Bonds
ASSETS			
Cash and cash equivalents	\$ 6,623	\$ -	\$ 704,011
Escrowed investments	-	-	-
Receivables			
Delinquent taxes	2,232	-	6,210
Special assessments			
Delinquent	-	-	7,044
Noncurrent	-	-	147,514
Intergovernmental	811	-	3,841
Due from other funds	-	-	-
TOTAL ASSETS	<u><u>\$ 9,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 868,620</u></u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	2,232	-	6,210
Unavailable revenue - special assessments	-	-	154,558
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>2,232</u></u>	<u><u>-</u></u>	<u><u>160,768</u></u>
FUND BALANCES			
Restricted	<u><u>7,434</u></u>	<u><u>-</u></u>	<u><u>707,852</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 9,666</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 868,620</u></u>

371	320	322	372	373	
2011	Tax	Tax	2012	2013	
Improvement	Increment	Increment	Refunding	Improvement	Totals
Bonds	District	District	Bonds	Bonds	
No. 23	No. 22				
\$ 343,117	\$ -	\$ -	\$ 960,866	\$ 244,310	\$ 4,888,042
-	-	-	5,584,493	-	5,584,493
2,605	-	-	20,332	-	40,536
261,863	-	-	1,536,791	253,679	2,487,994
14,263	-	-	49,135	8,700	751,365
2,641	-	-	9,638	-	24,532
-	-	-	-	-	15,717
<u>\$ 624,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,161,255</u>	<u>\$ 506,689</u>	<u>\$ 13,792,679</u>
\$ -	\$ 7,533	\$ 8,184	\$ -	\$ -	\$ 15,717
-	-	-	-	2,794	2,794
-	7,533	8,184	-	2,794	18,511
2,605	-	-	20,332	-	40,536
276,126	-	-	1,585,926	262,379	3,239,359
278,731	-	-	1,606,258	262,379	3,279,895
345,758	(7,533)	(8,184)	6,554,997	241,516	10,494,273
<u>\$ 624,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,161,255</u>	<u>\$ 506,689</u>	<u>\$ 13,792,679</u>

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CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CONTINUED ON FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013

	323	349	369
	Special Assessment	2005B Refunding Bonds	2009 Special Assessments
REVENUES			
Taxes			
Property taxes	\$ 2,463	\$ 98,164	\$ 121,571
Special assessments	92,451	16,682	74,595
Investment earnings	10,154	264	2,689
	<u>105,068</u>	<u>115,110</u>	<u>198,855</u>
TOTAL REVENUES			
	<u>105,068</u>	<u>115,110</u>	<u>198,855</u>
EXPENDITURES			
Current			
Housing and economic development	-	-	-
Debt service			
Principal	-	130,000	100,000
Interest	-	18,795	51,600
Bond issuance costs	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES			
	<u>-</u>	<u>148,795</u>	<u>151,600</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>105,068</u>	<u>(33,685)</u>	<u>47,255</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	(112,018)	-	-
	<u>(112,018)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>(112,018)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(6,950)	(33,685)	47,255
FUND BALANCES, JANUARY 1	<u>1,930,487</u>	<u>139,007</u>	<u>576,319</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,923,537</u>	<u>\$ 105,322</u>	<u>\$ 623,574</u>

CITY OF FAIRMONT, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

	305	317 Cenex	370
	Fire Truck Debt	Harvest States Development Notes	2010A Refunding Bonds
REVENUES			
Taxes			
Property taxes	\$ 70,282	\$ -	\$ 196,529
Special assessments	-	-	44,161
Investment earnings	12	-	3,084
	<u>70,294</u>	<u>-</u>	<u>243,774</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Housing and economic development	-	5,468	-
Debt service			
Principal	65,000	-	235,000
Interest	1,906	-	59,013
Bond issuance costs	-	-	-
	<u>66,906</u>	<u>5,468</u>	<u>294,013</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,388</u>	<u>(5,468)</u>	<u>(50,239)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	3,388	(5,468)	(50,239)
FUND BALANCES, JANUARY 1	<u>4,046</u>	<u>5,468</u>	<u>758,091</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 7,434</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 707,852</u></u>

371	320	322	372	373	
2011	Tax	Tax	2012	2013	
Improvement	Increment	Increment	Refunding	Improvement	Totals
Bonds	District	District	Bonds	Bonds	
No. 23	No. 22				
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 94,376	\$ -	\$ -	\$ 570,275	\$ -	\$ 1,153,660
47,894	-	-	373,293	166,680	815,756
1,400	-	-	24,061	-	41,664
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
143,670	-	-	967,629	166,680	2,011,080
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-	7,500	-	-	-	12,968
105,000	-	-	775,000	-	1,410,000
55,313	33	40	357,646	-	544,346
-	-	-	-	64,803	64,803
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160,313	7,533	40	1,132,646	64,803	2,032,117
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(16,643)	(7,533)	(40)	(165,017)	101,877	(21,037)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
18,315	-	-	112,018	-	130,333
-	-	-	-	109,266	109,266
-	-	-	-	30,373	30,373
-	-	-	-	-	(112,018)
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18,315	-	-	112,018	139,639	157,954
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1,672	(7,533)	(40)	(52,999)	241,516	136,917
344,086	-	(8,144)	6,607,996	-	10,357,356
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<u>\$ 345,758</u>	<u>\$ (7,533)</u>	<u>\$ (8,184)</u>	<u>\$ 6,554,997</u>	<u>\$ 241,516</u>	<u>\$ 10,494,273</u>

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INTERNAL SERVICE FUNDS

Internal service funds are created to account for the financing of goods and services provided by one department of government to other departments on a cost - reimbursement basis.

Central Garage and Equipment: This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are maintained by the central garage and billed for the maintenance on a departmental basis.

Medical Self-Insurance: This fund is used to account for the costs of the City employee health insurance plan. Premiums are paid by the benefiting funds and health insurance claims are paid out of the fund.

Property, Equipment, and Liability Self-Insurance: This fund is used to account for the costs of the City's insurance for liability and multi-peril risks. Premiums are received from benefiting funds and payments for insurance premiums and claims that fall within the deductible amounts are paid out of this fund.

Worker's Compensation Self-Insurance: This fund is used to account for costs associated with the City's workers' compensation insurance. Premiums are received from benefiting funds. Payments for insurance and other costs not covered under this plan are paid out of this fund.

Data Processing: This fund is used to account for the costs associated with the City's data processing system. Benefited funds are charged on a percentage basis for the costs of operating this department.

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CITY OF FAIRMONT, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,616	\$ 5,594	\$ 244,157	\$ 192,467
Due from other funds	-	-	76,184	78,361
Due from component unit	-	-	-	352
Prepaid items	-	-	-	-
TOTAL CURRENT ASSETS	<u>5,616</u>	<u>5,594</u>	<u>320,341</u>	<u>271,180</u>
CAPITAL ASSETS				
Furniture and equipment	-	-	-	-
Less accumulated depreciation	-	-	-	-
NET CAPITAL ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>5,616</u>	<u>5,594</u>	<u>320,341</u>	<u>271,180</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts and contracts payable	186	671	15,890	31,490
Due to other funds	3,518	3,961	255,000	255,000
Due to component unit	-	-	883	-
Accrued wages payable	<u>22,770</u>	<u>13,625</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>26,474</u>	<u>18,257</u>	<u>271,773</u>	<u>286,490</u>
NET POSITION				
Net investment in capital assets	-	-	-	-
Unrestricted	<u>(20,858)</u>	<u>(12,663)</u>	<u>48,568</u>	<u>(15,310)</u>
TOTAL NET POSITION	<u>\$ (20,858)</u>	<u>\$ (12,663)</u>	<u>\$ 48,568</u>	<u>\$ (15,310)</u>

704		705		710			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 541,553	\$ 544,554	\$ 502,668	\$ 515,962	\$ 17,555	\$ 14,651	\$ 1,311,549	\$ 1,273,228
-	-	59,953	59,675	-	-	136,137	138,036
-	-	-	-	-	-	-	352
-	15,000	-	-	-	-	-	15,000
541,553	559,554	562,621	575,637	17,555	14,651	1,447,686	1,426,616
-	-	-	-	292,991	267,722	292,991	267,722
-	-	-	-	(217,658)	(199,519)	(217,658)	(199,519)
-	-	-	-	75,333	68,203	75,333	68,203
541,553	559,554	562,621	575,637	92,888	82,854	1,523,019	1,494,819
-	-	61,063	59,075	3,233	1,646	80,372	92,882
-	-	-	-	-	549	258,518	259,510
-	-	-	-	-	-	883	-
-	-	-	-	-	32,837	22,770	46,462
-	-	61,063	59,075	3,233	35,032	362,543	398,854
-	-	-	-	75,333	68,203	75,333	68,203
541,553	559,554	501,558	516,562	14,322	(20,381)	1,085,143	1,027,762
<u>\$ 541,553</u>	<u>\$ 559,554</u>	<u>\$ 501,558</u>	<u>\$ 516,562</u>	<u>\$ 89,655</u>	<u>\$ 47,822</u>	<u>\$ 1,160,476</u>	<u>\$ 1,095,965</u>

CITY OF FAIRMONT, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 269,074	\$ 193,005	\$ 1,554,545	\$ 1,394,979
Miscellaneous revenues	56	67	-	108,549
	<u>269,130</u>	<u>193,072</u>	<u>1,554,545</u>	<u>1,503,528</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Administration and other				
Personal services	267,714	171,366	-	-
Supplies	6,030	7,910	-	-
Other services and charges	3,608	3,045	27,404	27,859
Insurance premiums paid	-	-	1,209,398	1,162,114
Insurance claims paid	-	-	254,130	244,487
Depreciation	-	-	-	-
	<u>277,352</u>	<u>182,321</u>	<u>1,490,932</u>	<u>1,434,460</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	(8,222)	10,751	63,613	69,068
NONOPERATING REVENUES				
Investment income	27	19	265	991
	<u>27</u>	<u>19</u>	<u>265</u>	<u>991</u>
INCOME (LOSS) BEFORE TRANSFERS	(8,195)	10,770	63,878	70,059
TRANSFERS OUT	-	(13,991)	-	-
	<u>-</u>	<u>(13,991)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(8,195)	(3,221)	63,878	70,059
NET POSITION, JANUARY 1	(12,663)	(9,442)	(15,310)	(85,369)
	<u>(12,663)</u>	<u>(9,442)</u>	<u>(15,310)</u>	<u>(85,369)</u>
NET POSITION, DECEMBER 31	<u>\$ (20,858)</u>	<u>\$ (12,663)</u>	<u>\$ 48,568</u>	<u>\$ (15,310)</u>

704		705		710			
Property, Equipment and Liability Self-insurance		Worker's Compensation Self-insurance		Data Processing		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 262,037	\$ 300,845	\$ 195,308	\$ 200,913	\$ 219,056	\$ 161,074	\$ 2,500,020	\$ 2,250,816
-	-	26,920	37,007	-	-	26,976	145,623
262,037	300,845	222,228	237,920	219,056	161,074	2,526,996	2,396,439
-	-			49,912	94,610	317,626	265,976
-	-	-	240	46,823	13,148	52,853	21,298
16,104	32,500	42,331	36,686	62,425	31,323	151,872	131,413
241,799	231,693	197,665	194,164	-	-	1,648,862	1,587,971
24,760	29,172	-	-	-	-	278,890	273,659
-	-	-	-	18,139	17,715	18,139	17,715
282,663	293,365	239,996	231,090	177,299	156,796	2,468,242	2,298,032
(20,626)	7,480	(17,768)	6,830	41,757	4,278	58,754	98,407
2,625	5,554	2,764	5,337	76	230	5,757	12,131
(18,001)	13,034	(15,004)	12,167	41,833	4,508	64,511	110,538
-	-	-	-	-	-	-	(13,991)
(18,001)	13,034	(15,004)	12,167	41,833	4,508	64,511	96,547
559,554	546,520	516,562	504,395	47,822	43,314	1,095,965	999,418
<u>\$ 541,553</u>	<u>\$ 559,554</u>	<u>\$ 501,558</u>	<u>\$ 516,562</u>	<u>\$ 89,655</u>	<u>\$ 47,822</u>	<u>\$ 1,160,476</u>	<u>\$ 1,095,965</u>

CITY OF FAIRMONT, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	701		703	
	Central Garage and Equipment		Medical Self-insurance	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 269,074	\$ 193,005	\$ 1,554,545	\$ 1,394,979
Payments to suppliers	(9,499)	(9,688)	(27,404)	(27,859)
Payments to and on behalf of employees	(197,539)	(130,298)	(1,479,128)	(1,491,061)
Payments for interfund services used	(61,654)	(37,932)	-	-
Other receipts	56	67	-	108,549
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	438	15,154	48,013	(15,392)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Increase in due from other funds	-	-	-	(7,434)
Decrease in due from other funds	-	-	2,177	-
Decrease in due from component unit	-	-	352	887
Increase in due to other funds	-	1,998	-	205,000
Increase in due to component unit	-	-	883	-
Decrease in due to other funds	(443)	-	-	-
Transfers in/(out) to other funds	-	(13,991)	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	(443)	(11,993)	3,412	198,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	27	19	265	991
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22	3,180	51,690	184,052
CASH AND CASH EQUIVALENTS, JANUARY 1	5,594	2,414	192,467	8,415
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 5,616	\$ 5,594	\$ 244,157	\$ 192,467
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (8,222)	\$ 10,751	\$ 63,613	\$ 69,068
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	-	-	-
(Increase) decrease in assets				
Net accounts receivable	-	-	-	-
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities				
Accounts and contracts payable	(485)	464	(15,600)	(84,460)
Accrued wages payable	9,145	3,939	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 438	\$ 15,154	\$ 48,013	\$ (15,392)

704 Property, Equipment and Liability Self-insurance		705 Worker's Compensation Self-insurance		710 Data Processing		Totals	
2013	2012	2013	2012	2013	2012	2013	2012
\$ 262,037	\$ 300,845	\$ 195,308	\$ 201,880	\$ 219,056	\$ 161,074	\$ 2,500,020	\$ 2,251,783
(267,663)	(293,365)	(42,331)	(36,926)	(107,168)	(42,539)	(454,065)	(410,377)
-	-	(195,677)	(192,299)	(76,523)	(83,229)	(1,948,867)	(1,896,887)
-	-	-	-	(6,719)	(8,944)	(68,373)	(46,876)
-	-	26,920	37,007	-	-	26,976	145,623
(5,626)	7,480	(15,780)	9,662	28,646	26,362	55,691	43,266
-	-	(278)	(964)	-	-	(278)	(8,398)
-	-	-	-	-	-	2,177	-
-	-	-	158	-	-	352	1,045
-	-	-	-	-	135	-	207,133
-	-	-	-	-	-	883	-
-	-	-	-	(549)	-	(992)	-
-	-	-	-	-	-	-	(13,991)
-	-	(278)	(806)	(549)	135	2,142	185,789
-	-	-	-	(25,269)	(35,751)	(25,269)	(35,751)
2,625	5,554	2,764	5,337	76	230	5,757	12,131
(3,001)	13,034	(13,294)	14,193	2,904	(9,024)	38,321	205,435
544,554	531,520	515,962	501,769	14,651	23,675	1,273,228	1,067,793
<u>\$ 541,553</u>	<u>\$ 544,554</u>	<u>\$ 502,668</u>	<u>\$ 515,962</u>	<u>\$ 17,555</u>	<u>\$ 14,651</u>	<u>\$ 1,311,549</u>	<u>\$ 1,273,228</u>
\$ (20,626)	\$ 7,480	\$ (17,768)	\$ 6,830	\$ 41,757	\$ 4,278	\$ 58,754	\$ 98,407
-	-	-	-	18,139	17,715	18,139	17,715
-	-	-	967	-	-	-	967
15,000	-	-	-	-	-	15,000	-
-	-	1,988	1,865	1,587	1,194	(12,510)	(80,937)
-	-	-	-	(32,837)	3,175	(23,692)	7,114
<u>\$ (5,626)</u>	<u>\$ 7,480</u>	<u>\$ (15,780)</u>	<u>\$ 9,662</u>	<u>\$ 28,646</u>	<u>\$ 26,362</u>	<u>\$ 55,691</u>	<u>\$ 43,266</u>

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AGENCY FUNDS

Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units.

Police Relief Trust: This fund is used to account for the State aids that the City receives and benefit costs for the Police Relief Association.

C.V.B. Tax Agency: This fund is used to account for taxes collected by the City on lodging facilities. Ninety-five percent of the taxes collected are transferred to the local Convention and Visitors Bureau.

Flex Plan: This fund is used to account for deposits to and withdrawals from the City employee cafeteria plan.

Multi-Family Housing: This fund is used to account for rents received and expenditures made related to the Burton Lane rental property.

HRA Potter's Addition: This fund is used to account for the rents and expenses of the 16 unit rental recently constructed by the HRA.

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CITY OF FAIRMONT, MINNESOTA
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2013

	873 C.V.B. Tax Agency	706 Flex Plan	871 Multi- Family Housing	872 HRA Potter's Addition	Total
ASSETS					
Cash and cash equivalents	\$ 8,771	\$ 10,703	\$ 93,498	\$ 173,774	\$ 286,746
Due from other funds	-	1,372	-	-	1,372
	<u>-</u>	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>1,372</u>
TOTAL ASSETS	<u><u>\$ 8,771</u></u>	<u><u>\$ 12,075</u></u>	<u><u>\$ 93,498</u></u>	<u><u>\$ 173,774</u></u>	<u><u>\$ 288,118</u></u>
LIABILITIES					
Accounts payable	\$ 8,771	\$ 12,075	\$ 88,721	\$ 163,481	\$ 273,048
Deposits payable	-	-	4,777	10,293	15,070
	<u>-</u>	<u>-</u>	<u>4,777</u>	<u>10,293</u>	<u>15,070</u>
TOTAL LIABILITIES	<u><u>\$ 8,771</u></u>	<u><u>\$ 12,075</u></u>	<u><u>\$ 93,498</u></u>	<u><u>\$ 173,774</u></u>	<u><u>\$ 288,118</u></u>

CITY OF FAIRMONT, MINNESOTA
AGENCY FUNDS
INDIVIDUAL FUND STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
C. V. B. TAX AGENCY FUND (873)				
ASSETS				
Cash and cash equivalents	\$ 9,667	\$ 151,720	\$ 152,616	\$ 8,771
LIABILITIES				
Accounts payable	\$ 9,667	\$ 144,573	\$ 145,469	\$ 8,771
FLEX PLAN FUND (706)				
ASSETS				
Cash and cash equivalents	\$ 11,735	\$ 28,895	\$ 29,927	\$ 10,703
Due from other funds	1,537	28,717	28,882	1,372
TOTAL ASSETS	\$ 13,272	\$ 57,612	\$ 58,809	\$ 12,075
LIABILITIES				
Accounts payable	\$ 13,272	\$ 62,109	\$ 63,306	\$ 12,075
MULTI-FAMILY HOUSING FUND (871)				
ASSETS				
Cash and cash equivalents	\$ 74,008	\$ 68,588	\$ 49,098	\$ 93,498
Accounts receivable	-	67,662	67,662	-
TOTAL ASSETS	\$ 74,008	\$ 136,250	\$ 116,760	\$ 93,498
LIABILITIES				
Accounts payable	\$ 69,351	\$ 50,101	\$ 30,731	\$ 88,721
Deposits payable	4,657	4,132	4,012	4,777
TOTAL LIABILITIES	\$ 74,008	\$ 54,233	\$ 34,743	\$ 93,498
HRA POTTER'S ADDITION FUND (872)				
ASSETS				
Cash and cash equivalents	\$ 147,760	\$ 142,741	\$ 116,727	\$ 173,774
Accounts receivable	-	140,393	140,393	-
TOTAL ASSETS	\$ 147,760	\$ 283,134	\$ 257,120	\$ 173,774
LIABILITIES				
Accounts payable	\$ 137,633	\$ 143,759	\$ 117,911	\$ 163,481
Deposits payable	10,127	8,919	8,753	10,293
TOTAL LIABILITIES	\$ 147,760	\$ 152,678	\$ 126,664	\$ 173,774
TOTALS - ALL FUNDS				
ASSETS				
Cash and cash equivalents	\$ 243,170	\$ 391,944	\$ 348,368	\$ 286,746
Accounts receivable	-	208,055	208,055	-
Due from other funds	1,537	28,717	28,882	1,372
TOTAL ASSETS	\$ 244,707	\$ 628,716	\$ 585,305	\$ 288,118
LIABILITIES				
Accounts payable	\$ 229,923	\$ 400,542	\$ 357,417	\$ 273,048
Deposits payable	14,784	13,051	12,765	15,070
TOTAL LIABILITIES	\$ 244,707	\$ 413,593	\$ 370,182	\$ 288,118

CITY OF FAIRMONT, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and temporary investments	\$ 188,928	\$ 128,263
Receivables		
Delinquent taxes	3,525	3,276
Accounts	192	188
Loans	53,158	39,301
Due from primary government	883	-
Due from other governments	1,166	819
	<u>1,166</u>	<u>819</u>
TOTAL ASSETS	<u><u>\$ 247,852</u></u>	<u><u>\$ 171,847</u></u>
LIABILITIES		
Accounts and contracts payable	\$ 3,912	\$ 5,276
Due to primary government	-	352
Accrued wages payable	3,135	8,284
	<u>3,135</u>	<u>8,284</u>
TOTAL LIABILITIES	<u>7,047</u>	<u>13,912</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	3,525	3,276
	<u>3,525</u>	<u>3,276</u>
FUND BALANCES		
Assigned for		
Economic development	237,280	154,659
	<u>237,280</u>	<u>154,659</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 247,852</u></u>	<u><u>\$ 254,468</u></u>
 Total fund balances - governmental funds as shown above	 \$ 237,280	 \$ 154,659
 Amounts reported for governmental activities in the statement of net position are different because		
Long-term liabilities are not due and payable in the current period and therefore		
are not reported in the funds.		
Sick leave/severance payable	(11,123)	(10,099)
Postemployment benefits other than pension obligation	(4,298)	(4,150)
	<u>(15,421)</u>	<u>(14,249)</u>
Long-term assets are not available to pay current-period expenditures and, therefore, are		
unavailable in the funds.		
Delinquent property taxes receivable	3,525	3,276
	<u>3,525</u>	<u>3,276</u>
Internal service funds are used by management to charge the costs of various services to		
individual funds. The assets and liabilities of certain internal service funds are included in		
governmental activities in the statement of net position.	<u>(6,331)</u>	<u>(6,660)</u>
Total net position - governmental activities	<u><u>\$ 219,053</u></u>	<u><u>\$ 137,026</u></u>

CITY OF FAIRMONT, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUES		
Taxes	\$ 100,211	\$ 100,272
Payments from City	81,000	81,000
Investment earnings	721	1,157
Miscellaneous	23,479	50,491
	<hr/>	<hr/>
TOTAL REVENUES	205,411	232,920
EXPENDITURES		
Current		
Housing and economic development	122,790	247,751
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	82,621	(14,831)
FUND BALANCES, JANUARY 1	154,659	169,490
	<hr/>	<hr/>
FUND BALANCES, DECEMBER 31	<u>\$ 237,280</u>	<u>\$ 154,659</u>
Net change in fund balances - governmental funds as shown above	\$ 82,621	\$ (14,831)
Amounts reported for governmental activities in the statement of activities are different because		
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes	249	168
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(1,024)	23,983
Post employment benefits other than pension costs	(148)	(555)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.		
	<hr/>	<hr/>
Change in net position - governmental activities	<u>\$ 82,027</u>	<u>\$ 10,355</u>

CITY OF FAIRMONT, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 3,153,610	\$ 3,398,775	(7.21) %
Special assessments	815,756	736,782	10.72
Licenses and permits	134,360	192,982	(30.38)
Intergovernmental	9,716,414	5,263,882	84.59
Charges for services	416,091	304,432	36.68
Fines and forfeits	55,394	74,671	(25.82)
Investment earnings (loss)	(19,866)	132,406	(115.00)
Miscellaneous	565,643	315,626	79.21
TOTAL REVENUES	\$ 14,837,402	\$ 10,419,556	42.40 %
Per Capita	\$ 1,410	\$ 980	43.89 %
EXPENDITURES			
Current			
General government	\$ 1,196,929	\$ 1,157,782	3.38 %
Public safety	2,981,980	2,826,749	5.49
Streets and highways	1,449,200	1,490,721	(2.79)
Sanitation and waste removal	11,916	10,274	15.98
Culture and recreation	1,283,893	1,207,576	6.32
Housing and economic development	134,378	573,075	(76.55)
Miscellaneous	336,450	210,815	59.59
Capital outlay			
General government	11,870	42,077	(71.79)
Public safety	365,004	31,781	1,048.50
Streets and highways	2,317,752	1,964,950	17.95
Culture and recreation	81,943	1,324,292	(93.81)
Miscellaneous	4,836,282	633,005	664.02
Debt service			
Principal	1,410,000	1,465,000	(3.75)
Interest and other charges	544,346	851,928	(36.10)
Bond issuance costs	64,803	94,898	(31.71)
TOTAL EXPENDITURES	\$ 17,026,746	\$ 13,884,923	22.63 %
Per Capita	\$ 1,618	\$ 1,306	23.91 %
Total Long-term Indebtedness			
Per Capita	1,907	1,858	2.61
General Fund Balance - December 31			
Per Capita	433	414	4.68

The purpose of this report is to provide a summary of financial information concerning the City of Fairmont to interested citizens. The complete financial statements may be examined at City Hall, 100 Downtown Plaza, PO Box 751, Fairmont, MN 56031. Questions about this report should be directed to Paul Hoyer at (507) 238-9461.

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Fairmont's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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CITY OF FAIRMONT, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental activities					
Net investment in capital assets	\$ 38,956,915	\$ 33,902,134	\$ 31,176,518	\$ 31,067,381	\$ 29,608,919
Restricted	9,957,243	8,523,280	12,247,802	11,329,052	8,777,860
Unrestricted	7,610,856	9,029,687	6,960,460	6,469,646	8,413,308
Total governmental activities net position	56,525,014	51,455,101	50,384,780	48,866,079	46,800,087
Business-type activities					
Net investment in capital assets	32,805,088	33,021,655	30,733,612	28,564,935	27,473,728
Restricted	-	-	-	-	230,583
Unrestricted	12,142,960	10,123,274	9,556,319	5,724,972	5,575,435
Total business-type activities net position	44,948,048	43,144,929	40,289,931	34,289,907	33,279,746
Primary government					
Net investment in capital assets	71,762,003	66,923,789	61,910,130	59,632,316	57,082,647
Restricted	9,957,243	8,523,280	12,247,802	11,329,052	9,008,443
Unrestricted	19,753,816	19,152,961	16,516,779	12,194,618	13,988,743
Total primary government net position	<u>\$101,473,062</u>	<u>\$94,600,030</u>	<u>\$90,674,711</u>	<u>\$83,155,986</u>	<u>\$80,079,833</u>

Table 1

Fiscal Year				
2008	2007	2006	2005	2004
\$ 29,466,796	\$ 30,163,926	\$ 28,694,891	\$ 28,582,193	\$ 24,415,757
8,742,535	7,109,482	6,749,627	5,460,174	7,476,772
9,094,484	7,824,533	9,112,251	8,592,101	9,084,536
47,303,815	45,097,941	44,556,769	42,634,468	40,977,065
25,963,034	25,102,399	24,242,515	22,903,273	22,591,639
188,920	188,770	192,065	194,670	194,077
6,451,241	7,054,255	8,194,097	9,270,730	10,941,441
32,603,195	32,345,424	32,628,677	32,368,673	33,727,157
55,429,830	55,266,325	52,937,406	51,485,466	47,007,396
8,931,455	7,298,252	6,941,692	5,654,844	7,670,849
15,545,725	14,878,788	17,306,348	17,862,831	20,025,977
<u>\$ 79,907,010</u>	<u>\$ 77,443,365</u>	<u>\$ 77,185,446</u>	<u>\$ 75,003,141</u>	<u>\$ 74,704,222</u>

CITY OF FAIRMONT, MINNESOTA
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
EXPENSES					
Governmental activities					
General government	\$ 1,226,415	\$ 1,179,100	\$ 1,115,019	\$ 1,092,840	\$ 1,194,126
Public safety	3,210,448	2,880,151	2,941,828	2,887,905	3,126,827
Public works/streets	3,286,029	2,853,511	3,599,560	2,927,285	3,166,150
Sanitation and waste removal	11,916	10,274	7,571	14,899	6,870
Culture and recreation	1,451,745	1,324,605	1,301,894	1,341,726	1,424,713
Housing development	76,316	138,287	24,266	282,849	172,673
Economic development	156,973	384,968	492,664	412,234	480,767
Miscellaneous	573,647	302,744	318,644	325,526	543,557
Interest on long-term debt	674,487	959,710	547,580	579,300	604,535
Total governmental activities expenses	<u>10,667,976</u>	<u>10,033,350</u>	<u>10,349,026</u>	<u>9,864,564</u>	<u>10,720,218</u>
Business-type activities					
Electric	13,984,812	14,199,539	14,751,216	14,472,796	13,773,937
District heat	-	-	244,063	363,596	345,237
Water	2,674,540	1,931,755	1,680,372	1,867,238	1,889,420
Wastewater	1,932,952	1,810,984	1,837,211	1,788,281	1,776,424
Storm sewer	367,738	299,870	366,330	356,087	347,372
Liquor	2,898,764	2,931,921	2,848,468	2,671,313	2,494,940
Parking lot	4,830	4,905	4,735	4,456	4,529
Total business-type activities expenses	<u>21,863,636</u>	<u>21,178,974</u>	<u>21,732,395</u>	<u>21,523,767</u>	<u>20,631,859</u>
Total primary government expenses	<u>\$32,531,612</u>	<u>\$31,212,324</u>	<u>\$32,081,421</u>	<u>\$31,388,331</u>	<u>\$31,352,077</u>

Table 2

Fiscal Year				
2008	2007	2006	2005	2004
\$ 1,060,319	\$ 1,006,428	\$ 994,539	\$ 882,737	\$ 859,426
3,197,366	2,954,994	2,804,377	2,643,503	2,638,148
2,880,160	3,172,692	3,033,253	2,914,384	2,364,502
7,007	1,424	3,388	4,690	4,497
1,455,094	1,326,143	1,324,626	1,259,579	1,086,833
50,661	11,281	4,502	19,233	163,652
487,790	583,879	588,693	655,414	267,186
346,929	371,100	390,795	304,118	287,064
502,413	538,319	516,123	504,135	556,612
<u>9,987,739</u>	<u>9,966,260</u>	<u>9,660,296</u>	<u>9,187,793</u>	<u>8,227,920</u>
14,015,988	14,099,206	12,842,254	11,590,391	11,166,219
389,609	330,122	588,710	628,433	530,207
1,718,635	1,591,493	1,457,492	1,339,832	1,255,130
1,770,331	1,696,362	1,234,535	931,160	785,031
354,246	369,270	355,847	392,884	349,222
2,397,033	2,219,043	2,064,655	2,017,624	1,924,021
4,170	4,243	4,142	3,745	3,977
<u>20,650,012</u>	<u>20,309,739</u>	<u>18,547,635</u>	<u>16,904,069</u>	<u>16,013,807</u>
<u>\$30,637,751</u>	<u>\$30,275,999</u>	<u>\$28,207,931</u>	<u>\$26,091,862</u>	<u>\$24,241,727</u>

CITY OF FAIRMONT, MINNESOTA
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 207,868	\$ 188,707	\$ 213,341	\$ 168,661	\$ 199,666
Public safety	157,367	220,627	192,848	225,456	253,974
Public works/streets	3,141	4,738	1,511	750	12,356
Sanitation and waste removal	103,531	14,471	12,850	16,112	13,159
Culture and recreation	164,170	154,816	138,197	155,301	131,581
Housing development	8,198	9,248	7,453	11,651	2,720
Economic development	61,535	54,036	44,355	38,919	56,104
Miscellaneous	261,149	116,964	98,727	111,911	64,452
Operating grants and contributions	407,550	662,907	125,964	276,326	240,165
Capital grants and contributions	6,144,669	1,250,688	2,280,747	2,909,384	816,843
Total governmental activities program revenues	<u>7,519,178</u>	<u>2,677,202</u>	<u>3,115,993</u>	<u>3,914,471</u>	<u>1,791,020</u>
Business-type activities					
Charges for services					
Electric	14,675,757	15,074,146	15,649,347	14,782,836	14,263,137
District heat	-	-	82,626	129,919	144,589
Water	3,338,756	3,015,814	2,863,396	2,425,175	2,142,344
Wastewater	2,558,049	2,188,663	2,280,406	2,270,558	2,131,641
Storm sewer	587,188	576,106	575,513	577,995	570,837
Liquor	3,392,791	3,293,151	3,171,724	3,151,913	2,862,973
Parking	4,797	4,824	4,228	4,798	4,619
Operating grants and contributions	-	-	8,964	-	-
Capital grants and contributions	200,172	801,928	4,000,000	-	-
Total business-type activities program revenues	<u>24,757,510</u>	<u>24,954,632</u>	<u>28,636,204</u>	<u>23,343,194</u>	<u>22,120,140</u>
Total primary government program revenues	<u>\$32,276,688</u>	<u>\$27,631,834</u>	<u>\$31,752,197</u>	<u>\$27,257,665</u>	<u>\$23,911,160</u>

Table 2 (Continued)

Fiscal Year				
2008	2007	2006	2005	2004
\$ 210,471	\$ 167,619	\$ 163,751	\$ 190,426	\$ 180,112
266,785	351,482	325,685	323,454	237,163
5,135	(100)	7,020	4,496	1,786
12,351	8,693	11,695	8,810	8,310
156,581	168,027	187,881	197,958	159,469
1,282	1,872	1,303	4,264	1,440
64,752	73,424	72,116	64,686	44,630
61,189	59,544	52,756	46,913	45,546
138,964	252,957	112,729	149,957	540,977
<u>3,031,112</u>	<u>1,328,467</u>	<u>3,333,692</u>	<u>1,341,687</u>	<u>1,213,394</u>
<u>3,948,622</u>	<u>2,411,985</u>	<u>4,268,628</u>	<u>2,332,651</u>	<u>2,432,827</u>
13,840,140	13,599,866	12,843,502	11,756,841	11,169,858
170,136	211,636	359,384	377,918	383,564
1,817,612	1,690,094	1,487,589	1,328,702	1,337,572
2,121,385	2,080,509	1,684,915	1,585,714	1,593,005
534,682	533,656	506,346	505,923	503,829
2,773,689	2,595,689	2,355,085	2,355,551	2,201,736
4,760	4,300	4,442	4,700	3,888
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>21,262,404</u>	<u>20,715,750</u>	<u>19,241,263</u>	<u>17,915,349</u>	<u>17,193,452</u>
<u>\$25,211,026</u>	<u>\$23,127,735</u>	<u>\$23,509,891</u>	<u>\$20,248,000</u>	<u>\$19,626,279</u>

CITY OF FAIRMONT, MINNESOTA
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (3,148,798)	\$ (7,356,148)	\$ (7,233,033)	\$ (5,950,093)	\$ (8,929,198)
Business-type activities	2,893,874	3,775,658	6,903,809	1,819,427	1,488,281
Total primary government net expense	<u>\$ 254,924</u>	<u>\$ 3,580,490</u>	<u>\$ 329,224</u>	<u>\$ 4,130,666</u>	<u>\$ 7,440,917</u>
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 1,975,108	\$ 1,885,398	\$ 1,596,716	\$ 1,473,465	\$ 1,384,997
Property taxes, levied for debt service	1,153,660	1,152,523	1,025,257	1,013,775	1,019,496
Tax increments	-	334,725	341,402	563,453	618,379
Franchise taxes	36,205	34,343	35,392	35,749	35,119
Grants and contributions not restricted to specific programs	3,918,992	3,822,810	3,795,820	3,863,130	4,228,418
Unrestricted investment earnings (loss)	(13,861)	144,537	148,842	156,145	182,804
Other revenues	16,804	32,397	109,528	10,497	68,704
Gain on sale of capital assets	3,241	42,104	974,652	6,423	767
Transfers	1,128,562	977,632	923,632	890,561	885,601
Total governmental activities	<u>8,218,711</u>	<u>8,426,469</u>	<u>8,951,241</u>	<u>8,013,198</u>	<u>8,424,285</u>
Business-type activities					
Unrestricted investment earnings	37,807	56,972	36,075	81,295	73,871
Transfers	(1,128,562)	(977,632)	(923,632)	(890,561)	(885,601)
Total business-type activities	<u>(1,090,755)</u>	<u>(920,660)</u>	<u>(887,557)</u>	<u>(809,266)</u>	<u>(811,730)</u>
Total primary government	<u>\$ 7,127,956</u>	<u>\$ 7,505,809</u>	<u>\$ 8,063,684</u>	<u>\$ 7,203,932</u>	<u>\$ 7,612,555</u>
CHANGES IN NET POSITION					
Governmental activities	\$ 5,069,913	\$ 1,070,321	\$ 1,718,208	\$ 2,063,105	\$ (504,913)
Business-type activities	1,803,119	2,854,998	6,016,252	1,010,161	676,551
Total primary government	<u>\$ 6,873,032</u>	<u>\$ 3,925,319</u>	<u>\$ 7,734,460</u>	<u>\$ 3,073,266</u>	<u>\$ 171,638</u>

Table 2 (Continued)

Fiscal Year				
2008	2007	2006	2005	2004
\$ (6,039,117)	\$ (7,554,275)	\$ (5,391,668)	\$ (6,855,142)	\$ (5,795,093)
612,392	406,011	693,628	1,011,280	1,179,645
<u>\$ 5,426,725</u>	<u>\$ 7,148,264</u>	<u>\$ 4,698,040</u>	<u>\$ 5,843,862</u>	<u>\$ 4,615,448</u>
\$ 1,294,022	\$ 928,986	\$ 644,696	\$ 519,168	\$ 419,540
960,718	948,981	922,207	914,888	900,322
535,153	517,057	476,193	485,440	451,811
34,966	31,684	30,406	30,551	30,193
4,062,298	4,105,271	3,894,734	3,708,475	3,545,432
372,450	424,745	507,842	200,235	126,858
38,373	89,469	94,688	43,077	20,904
23,202	8,552	11,202	2,835	9,972
905,600	1,040,702	743,001	2,600,341	1,194,958
<u>8,226,782</u>	<u>8,095,447</u>	<u>7,324,969</u>	<u>8,505,010</u>	<u>6,699,990</u>
266,672	351,438	298,377	220,577	115,235
(905,600)	(1,040,702)	(743,001)	(2,600,341)	(1,194,958)
<u>(638,928)</u>	<u>(689,264)</u>	<u>(444,624)</u>	<u>(2,379,764)</u>	<u>(1,079,723)</u>
<u>\$ 7,587,854</u>	<u>\$ 7,406,183</u>	<u>\$ 6,880,345</u>	<u>\$ 6,125,246</u>	<u>\$ 5,620,267</u>
\$ 2,187,665	\$ 541,172	\$ 1,933,301	\$ 1,649,868	\$ 904,897
(26,536)	(283,253)	249,004	(1,368,484)	99,922
<u>\$ 2,161,129</u>	<u>\$ 257,919</u>	<u>\$ 2,182,305</u>	<u>\$ 281,384</u>	<u>\$ 1,004,819</u>

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CITY OF FAIRMONT, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service			
2013	\$ 1,975,108	\$ 1,153,660	\$ -	\$ 36,205	\$ 3,164,973
2012	1,885,398	1,152,523	334,725	34,343	3,406,989
2011	1,596,716	1,025,257	341,402	35,392	2,998,767
2010	1,473,465	1,013,775	563,453	35,749	3,086,442
2009	1,384,997	1,019,496	618,379	35,119	3,057,991
2008	1,294,022	960,718	535,153	34,966	2,824,859
2007	928,986	948,981	517,057	31,684	2,426,708
2006	644,696	922,207	476,193	30,406	2,073,502
2005	519,168	914,888	485,440	30,551	1,950,047
2004	419,540	900,322	451,811	30,193	1,801,866

CITY OF FAIRMONT, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2004 - 2010)	1,535	1,088	305	674	660
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2004 - 2010)	<u>4,265,117</u>	<u>4,187,799</u>	<u>3,907,756</u>	<u>4,382,179</u>	<u>4,430,488</u>
Total General fund	<u>\$ 4,266,652</u>	<u>\$ 4,188,887</u>	<u>\$ 3,908,061</u>	<u>\$ 4,382,853</u>	<u>\$ 4,431,148</u>
All other governmental funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted (Reserved 2004 - 2010)	5,790,496	5,964,262	6,536,169	5,663,487	6,084,586
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (Unreserved 2004 - 2010)	<u>1,100,238</u>	<u>1,644,460</u>	<u>2,511,771</u>	<u>902,816</u>	<u>2,609,474</u>
Total all other governmental funds	<u>\$ 6,890,734</u>	<u>\$ 7,608,722</u>	<u>\$ 9,047,940</u>	<u>\$ 6,566,303</u>	<u>\$ 8,694,060</u>

Table 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 205,000	\$ 205,000
2,300	-	-	-	-
-	40,387	40,387	104,777	135,575
-	1,757,373	1,757,373	909,063	989,402
4,744,998	3,091,341	3,456,713	3,178,069	3,225,036
<u>\$ 4,747,298</u>	<u>\$ 4,889,101</u>	<u>\$ 5,254,473</u>	<u>\$ 4,396,909</u>	<u>\$ 4,555,013</u>
\$ -	\$ -	\$ 4,000	\$ 4,080	\$ 3,200
6,368,794	7,530,799	8,178,777	12,491,677	12,731,158
-	-	89,950	137,347	604,172
-	-	2,525,140	2,412,379	2,045,307
2,248,030	3,242,524	(276,237)	(207,534)	(10,218)
<u>\$ 8,616,824</u>	<u>\$10,773,323</u>	<u>\$10,521,630</u>	<u>\$14,837,949</u>	<u>\$15,373,619</u>

CITY OF FAIRMONT, MINNESOTA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
REVENUES					
Taxes	\$ 1,800,789	\$ 1,948,345	\$ 2,068,198	\$ 2,402,159	\$ 2,790,577
Special assessments	727,311	726,309	762,723	883,363	822,304
Intergovernmental revenue	4,525,790	4,425,303	5,703,021	4,838,805	5,024,945
Licenses and permits	236,563	219,471	285,907	305,566	191,497
Charges for services	218,428	371,824	290,390	263,051	294,254
Fines and forfeits	77,341	77,302	66,097	72,315	101,767
Interest	117,420	177,396	460,553	374,172	320,276
Other revenues	292,632	357,585	411,508	449,753	514,536
TOTAL REVENUES	7,996,274	8,303,535	10,048,397	9,589,184	10,060,156
EXPENDITURES					
General government	849,768	831,359	933,372	919,007	986,375
Public safety	2,592,809	2,533,499	2,627,231	2,768,860	2,980,583
Public works	1,097,422	1,221,539	1,208,480	1,237,171	1,406,628
Culture and recreation	1,157,701	1,103,259	1,101,949	1,092,247	1,226,788
Housing and economic development	155,928	607,135	426,497	470,839	480,122
Public transportation	138,674	165,500	232,903	179,355	166,621
Capital outlay	2,115,818	3,653,447	4,595,167	2,687,112	3,987,549
Debt service					
Principal	3,185,000	1,230,000	1,440,000	2,745,000	1,625,000
Interest and fees	585,654	494,373	508,009	537,140	490,739
TOTAL EXPENDITURES	11,878,774	11,840,111	13,073,608	12,636,731	13,350,405
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,882,500)</u>	<u>(3,536,576)</u>	<u>(3,025,211)</u>	<u>(3,047,547)</u>	<u>(3,290,249)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	-
Transfers in	3,258,805	5,914,161	1,360,040	1,946,802	4,707,116
Transfers out	(2,063,847)	(3,323,820)	(628,039)	(906,100)	(3,801,516)
Bonds issued	-	2,950,000	3,500,000	-	5,575,000
Premium/discount on bonds issued	-	(53,542)	(48,398)	-	10,701
Payments to refunded bond escrow agent	-	(1,310,000)	-	-	(1,025,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,194,958	4,176,799	4,183,603	1,040,702	5,466,301
NET CHANGE IN FUND BALANCES	<u>\$ (2,687,542)</u>	<u>\$ 640,223</u>	<u>\$ 1,158,392</u>	<u>\$ (2,006,845)</u>	<u>\$ 2,176,052</u>
Debt service as a percentage of noncapital expenditures	37%	19%	21%	30%	21%

Table 5

Fiscal Year				
2009	2010	2011	2012	2013
\$ 3,027,035	\$ 3,071,934	\$ 2,977,296	\$ 3,398,775	\$ 3,153,610
961,413	1,209,484	795,914	736,782	815,756
4,576,936	6,356,499	5,466,554	5,399,277	9,716,414
259,405	209,472	164,159	192,982	134,360
194,932	246,652	293,483	304,432	416,091
90,530	79,054	72,617	74,671	55,394
160,308	138,235	135,391	132,406	(19,866)
314,345	294,939	326,767	315,626	565,643
9,584,904	11,606,269	10,232,181	10,554,951	14,837,402
979,188	1,019,439	1,085,598	1,157,782	1,196,929
2,816,119	2,742,200	2,837,558	2,826,749	2,981,980
1,472,077	1,549,746	1,621,730	1,500,995	1,525,919
1,151,695	1,199,478	1,134,889	1,207,576	1,283,893
650,853	707,778	502,151	573,075	134,378
183,804	186,214	187,033	210,815	336,450
2,583,866	2,965,921	3,415,045	3,996,105	7,612,851
1,535,000	1,840,000	2,735,000	1,465,000	1,410,000
629,690	590,692	594,109	946,826	544,346
12,002,292	12,801,468	14,113,113	13,884,923	17,026,746
(2,417,388)	(1,195,199)	(3,880,932)	(3,329,972)	(2,189,344)
2,617	2,423	957,136	42,104	9,183
1,200,490	1,126,742	1,674,392	3,165,011	1,822,851
(314,889)	(236,181)	(483,244)	(2,173,388)	(694,289)
1,755,000	2,615,000	1,820,000	5,755,000	1,715,000
13,084	(14,484)	26,327	-	30,373
-	-	-	-	-
2,656,302	3,493,500	3,994,611	6,788,727	2,883,118
\$ 238,914	\$ 2,298,301	\$ 113,679	\$ 3,458,755	\$ 693,774
22%	24%	29%	24%	19%

CITY OF FAIRMONT, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increment Tax	Franchise Tax	Total
2004	\$ 1,377,604	\$ 392,992	\$ 30,193	\$ 1,800,789
2005	1,432,354	485,440	30,551	1,948,345
2006	1,561,597	476,195	30,406	2,068,198
2007	1,874,850	495,625	31,684	2,402,159
2008	2,243,558	512,053	34,966	2,790,577
2009	2,396,672	595,244	35,119	3,027,035
2010	2,472,023	564,162	35,749	3,071,934
2011	2,600,502	341,402	35,392	2,977,296
2012	3,029,707	334,725	34,343	3,398,775
2013	3,117,405	-	36,205	3,153,610

CITY OF FAIRMONT, MINNESOTA
MARKET VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31,	Real and Personal Property		Agricultural Property	Other	Total Taxable Market Value	Total Direct Tax Rate	Indicated Market Value	Assessed Value (1) as a Percentage of Actual Value
	Residential Property	Commercial Property						
2004	\$314,476,700	\$89,830,300	\$11,470,500	\$ 2,885,300	\$418,662,800	37.887	\$418,013,747	100.16 %
2005	331,900,200	91,607,220	12,106,300	3,277,300	438,891,020	37.296	456,855,854	96.07
2006	340,834,820	95,797,060	13,314,718	3,606,600	453,553,198	38.570	487,882,781	92.96
2007	398,836,187	103,352,140	15,537,691	3,980,033	521,706,051	39.789	516,333,077	101.04
2008	432,654,773	121,011,160	16,087,582	2,965,633	572,719,148	42.021	561,668,253	101.97
2009	429,003,100	171,694,300	21,590,900	3,896,600	626,184,900	39.481	592,616,000	105.66
2010	424,819,600	167,521,200	24,328,100	4,262,700	620,931,600	42.272	675,914,203	91.87
2011 (1)	372,248,320	142,268,133	25,308,200	3,339,700	543,164,353	49.454	670,211,836	81.04
2012 (1)	351,585,800	165,135,200	30,989,100	4,977,800	552,687,900	48.349	629,089,800	87.86
2013 (1)	352,320,150	173,337,800	41,821,000	4,833,400	572,312,350	48.381	647,810,000	88.35

Source: Martin County Assessors' Office

(1) Total Market Value after HMVE

CITY OF FAIRMONT, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Fairmont			Overlapping Rates		
				Martin County		
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total County Tax Capacity Rate
2004	13.336	24.551	37.887	44.871		44.871
2005	14.545	22.751	37.296	45.693		45.693
2006	16.932	21.638	38.570	44.674		44.674
2007	20.684	19.105	39.789	43.453	0.889	44.342
2008	24.923	17.098	42.021	41.856	2.020	43.876
2009	24.265	15.216	39.481	40.995	1.041	42.036
2010	26.970	15.302	42.272	36.051	0.890	36.941
2011	32.286	17.168	49.454	37.231	0.937	38.168
2012	32.006	16.343	48.349	33.826	0.786	34.612
2013	32.815	15.566	48.381	27.391	0.615	28.006

Source: Martin County Assessors' Office.

(1) Detail breakdown not available before 2007.

Table 8

Overlapping Rates				Total Direct and Overlapping Rates
School District				
Operating Tax Capacity Rate	Debt Service Tax Capacity Rate(1)	Total School Tax Capacity Rate	Special Districts	
18.860		18.860	0.263	101.881
18.459		18.459	0.250	101.698
18.472		18.472	0.608	102.324
11.893	6.584	18.477	0.563	103.171
11.883	5.885	17.768	0.520	104.185
12.055	12.331	24.386	0.489	106.392
12.232	19.719	31.951	0.449	111.613
8.959	24.927	33.886	0.480	121.988
10.173	19.978	30.151	0.423	113.535
9.587	18.247	27.834	0.349	104.570

CITY OF FAIRMONT, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Table 9

Taxpayer	Type of Business	2013			2004		
		Taxable Market Value	Rank	Percentage of Total Taxable Market Value	Taxable Market Value	Rank	Percentage of Total Taxable Market Value
Green Plains Fairmont LLC	Ethanol Manufacturing	\$24,400,400	1	4.3 %			
Cenex Harvest States	Soybean Crushing	17,958,700	2	3.1	\$12,523,500	1	3.0 %
Wal-Mart	Retail	11,593,800	3	2.0	-		-
Goldfinch Estates	Assisted Living	8,243,700	4	1.4	-		-
Mayo Health Systems-Fairmont	Medical Facility	5,606,100	5	1.0	4,814,300	2	1.1
Weigh-Tronix, Inc	Scale Manufacturing	4,976,800	6	0.9	3,644,900	4	0.9
Bank Midwest	Banking	3,976,400	7	0.7	-		-
City of Fairmont	Government	3,814,900	8	0.7	-		-
AL & CE Ward Inc.	Professional Services	3,782,300	9	0.7	-		-
US Foods, Inc.	Food Distribution	3,273,000	10	0.6	-		-
Five Lakes Center	Shopping Center	-		-	4,200,000	3	1.0
Fairmont Foods	Frozen Gourmet Food	-		-	2,705,600	6	0.6
Fairmont Partners LP	Discount Retail Store	-		-	2,683,500	5	0.6
Peoples Natural Gas	Utilities	-		-	2,335,900	7	0.6
Shopko	Retail	-		-	2,196,500	8	0.5
Victoria State Crossing	Professional Services	-		-	2,104,900	9	0.5
Harsco Corp	Industrial	-		-	2,004,600	10	0.5
Total		<u>\$87,626,100</u>		<u>15.3 %</u>	<u>\$39,213,700</u>		<u>9.4 %</u>

Source: Martin County Assessors' Office.

CITY OF FAIRMONT, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 1,669,245	\$ 1,654,917	99.1 %	13,905	\$ 1,668,822	100.0 %
2005	1,771,045	1,753,625	99.0	17,085	1,770,710	100.0
2006	1,926,500	1,907,580	99.0	18,604	1,926,184	100.0
2007	2,226,200	2,203,042	99.0	22,187	2,225,229	100.0
2008	2,622,200	2,590,697	98.8	29,182	2,619,879	99.9
2009	2,760,620	2,727,817	98.8	29,380	2,757,197	99.9
2010	2,857,242	2,816,532	98.6	34,198	2,850,730	99.8
2011	2,992,245	2,936,191	98.1	45,508	2,981,699	99.6
2012	3,120,665	3,064,821	98.2	28,029	3,092,850	99.1
2013	3,214,285	3,156,697	98.2	-	3,156,697	98.2

CITY OF FAIRMONT, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government
	General Obligation Bonds	Special Assessment Bonds	Tax Increment Bonds	Storm Sewer Bonds	General Obligation Revenue Bonds	
2004	\$ -	\$11,755,000	\$ 980,000	\$ 3,120,000	\$13,762,095	\$29,617,095
2005	-	12,990,000	855,000	2,930,000	12,442,149	29,217,149
2006	-	14,485,000	720,000	2,735,000	12,607,494	30,547,494
2007	-	11,885,000	575,000	2,540,000	12,023,000	27,023,000
2008	-	14,730,318	415,000	2,345,000	11,409,000	28,899,318
2009	215,000	15,178,624	245,000	4,011,675	10,784,000	30,434,299
2010	175,000	15,193,234	245,000	3,779,586	10,148,000	29,540,820
2011	125,000	15,435,616	-	1,862,498	11,037,587	28,460,701
2012	65,000	19,778,940	-	1,695,409	27,313,160	48,852,509
2013	-	20,171,849	-	1,528,321	34,200,762	55,900,932

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

Percentage of (Net) General Bonded Debt to Property Value	Percentage of Personal Income	Per Capita
2.81 %	14.77 %	\$ 2,756
2.84	14.60	2,723
2.97	15.27	2,850
2.30	13.57	2,531
2.62	14.49	2,704
2.60	15.26	2,848
2.27	11.09	2,770
2.32	10.77	2,677
3.15	17.81	4,643
3.11	20.38	5,313

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CITY OF FAIRMONT, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2013

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Fairmont	<u>\$20,171,849</u>	100.00 %	<u>\$20,171,849</u>
Total direct debt	<u>20,171,849</u>		<u>20,171,849</u>
Martin County	2,678,000	12.59	337,160
Independent School District No. 2752	<u>41,105,000</u>	40.26	<u>16,548,873</u>
Total overlapping debt	<u>43,783,000</u>		<u>16,886,033</u>
Total direct and overlapping debt	<u><u>\$63,954,849</u></u>		<u><u>\$37,057,882</u></u>

Source: Martin County Assessors' Office and Independent School District No. 2752.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fairmont. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF FAIRMONT, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 8,373,256	\$ 8,767,820	\$ 9,071,064	\$10,434,121	\$17,181,574
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 8,373,256</u>	<u>\$ 8,767,820</u>	<u>\$ 9,071,064</u>	<u>\$10,434,121</u>	<u>\$17,181,574</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: Under state finance law, the City of Fairmont's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligations bonds.

Table 13

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$18,785,547	\$18,627,948	\$16,294,931	\$16,580,637	\$ 17,169,371
<u>215,000</u>	<u>175,000</u>	<u>125,000</u>	<u>65,000</u>	<u>-</u>
<u><u>\$18,570,547</u></u>	<u><u>\$18,452,948</u></u>	<u><u>\$16,169,931</u></u>	<u><u>\$16,515,637</u></u>	<u><u>\$ 17,169,371</u></u>
<u><u>1.1</u></u>	<u><u>0.9</u></u>	<u><u>0.8</u></u>	<u><u>0.4</u></u>	<u><u>-</u></u>

Legal Debt Margin Calculation for Fiscal Year 2013

Market value	\$ 572,312,350
Debt limit (3% of total assessed value)	<u>17,169,371</u>
Debt applicable to limit	
General obligation bonds	-
Less Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 17,169,371</u></u>

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CITY OF FAIRMONT, MINNESOTA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Table 14

		Utility Revenue Bonds						
Year		Gross Revenue	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
					Principal	Interest	Total	
2004	(3)	\$ 516,871	\$ 63,178	\$ 453,693	\$ 155,000	\$ 141,743	\$ 296,743	1.53
2005	(3)	525,852	105,385	420,467	160,000	134,781	294,781	1.43
2006	(3)	2,234,621	870,853	1,363,768	190,000	345,814	535,814	2.55
2007	(4)	2,658,700	951,204	1,707,496	816,095	338,045	1,154,140	1.48
2008	(4)	2,690,791	1,026,457	1,664,334	799,252	319,844	1,119,096	1.49
2009	(4)	2,719,903	1,009,389	1,710,514	809,000	300,550	1,109,550	1.54
2010	(4)	2,881,620	993,506	1,888,114	866,000	334,329	1,200,329	1.57
2011	(4)	2,876,421	1,137,876	1,738,545	647,000	303,453	950,453	1.83
2012	(5)	5,823,490	2,701,862	3,121,628	833,812	289,320	1,123,132	2.78
2013	(5)	6,498,498	2,937,352	3,561,146	1,744,000	609,695	2,353,695	1.51

Source: City of Fairmont Financial Records.

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Sewer charges and other investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Includes Storm Water only (no other utilities had debt).

(4) Includes Storm Water and Waste Water only (no other utilities had debt).

(5) Includes Storm Water, Waste Water and Water only (no other utilities had debt).

CITY OF FAIRMONT, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 15

<u>Fiscal Year</u>	<u>Population (A)</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income (B)</u>	<u>Median Age (B & C)</u>	<u>School Enrollment (D)</u>	<u>Unemployment Rate (E)</u>
2004	10,747	\$ 18,658	\$200,517,526	41.3	1,814	4.7 %
2005	10,729	18,658	200,181,682	41.3	1,750	4.6
2006	10,720	18,658	200,013,760	41.3	1,796	4.2
2007	10,675	18,658	199,174,150	41.3	1,727	4.9
2008	10,686	18,658	199,379,388	41.3	1,685	6
2009	10,686	18,658	199,379,388	41.3	1,678	7.2
2010	10,666	24,965	266,276,690	47.6	1,686	6.5
2011	10,631	24,965	264,354,385	47.6	1,726	5.2
2012	10,521	26,065	274,229,865	47.6	1,694	5.0
2013	10,521	26,065	274,229,865	47.6	1,699	4.4

(A) Source: State Demographer

(B) Source: United States Census Bureau

(C) Source: MN State Demographer. The Median Age is for Martin County - Statistical data is not available for individual communities

(D) Source: ISD #2752

(E) Rates are for Martin County - Rates are not compiled for individual communities within the County

CITY OF FAIRMONT, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table 16

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairmont Mayo Health Systems	600	1	5.71 %	600	1	5.72 %
Weigh-Tronix Scale Manufacturing	400	2	3.81	400	2	3.30
Fairmont Foods of Minnesota	350	3	3.33	250	3	2.20
Torgerson Properties	275	4	2.62	-		-
ISD 2752	240	5	2.28	242	4	2.13
Lakeview Health Care Facility	215	6	2.05	215	5	1.89
Hy-Vee	200	7	1.90	-		-
REM Heartland	200	8	1.90	200	6	1.76
Wal-Mart	195	9	1.86	-		-
3M	180	10	1.71	165	8	1.45
Aerospace Systems	-		-	180	7	1.58
SMC-Highway Construction	-		-	150	9	1.32
Fairmont Surgical Center	-		-	120	10	1.06
Total	<u>2,855</u>		<u>27.17 %</u>	<u>2,522</u>		<u>22.41 %</u>

Source: State Department of Commerce.

CITY OF FAIRMONT, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31				
	2004	2005	2006	2007	2008
General government	14	14	14	14	14
Public safety					
Police					
Officers	18	18	18	18	18
Civilians	2	2	2	2	2
Streets and highways					
Engineering	4	4	4	4	4
Maintenance	10	10	10	10	11
Culture and recreation					
Parks	8	8	9	8	8
Housing and economic development	2	2	2	2	2
Water	10	10	10	10	10
Sewer	6	6	6	6	6
Electric	28	28	28	26	25
Liquor Store	4	4	4	3	3
Total	106	106	107	103	103

Source: City of Fairmont Records

Table 17

Full-time Equivalent Employees as of December 31				
2009	2010	2011	2012	2013
14	14	14	11	11
18	18	17	17	16
1	1	2	2	2
4	4	3	4	4
12	12	12	10	10
8	8	8	8	8
2	2	2	2	2
11	11	10	10	10
6	6	6	6	6
17	17	12	12	12
3	3	3	3	3
96	96	89	85	84

CITY OF FAIRMONT, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Adult arrests	1,627	1,280	1,357	1,337	1,301
Juvenile arrests	188	141	150	153	150
Fire					
Number of fire calls answered	110	101	69	111	109
Number of rescue calls answered	30	30	14	50	28
Highways and streets					
Street resurfacing (miles)	16	23	18	9	10
Culture and recreation					
Attendance at water park	40,153	34,683	32,532	27,000	28,000
Water					
Annual water consumption (thousands of gallons)	487,471	508,669	516,765	536,442	522,275
Wastewater					
Annual treatment flows (thousands of gallons)	476,220	582,090	676,750	654,970	526,650
Electric					
Annual KWH electricity sold (thousands of kwh)	146,052	151,264	148,178	154,797	158,024

Sources: Various government departments.

Note: Indicators are not available for the general government function.

Table 18

Fiscal Year				
2009	2010	2011	2012	2013
1,426	1,483	1,175	1,306	1,178
132	125	162	125	54
97	128	140	122	126
35	34	20	28	22
5	4	5	5	4
25,000	26,346	21,000	24,500	22,400
481,836	465,407	455,140	430,334	414,121
536,740	741,060	656,800	404,830	468,170
147,794	153,605	156,001	151,973	148,187

CITY OF FAIRMONT, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Public safety					
Police					
Stations	1	1	1	1	1
Full-time paid police	18	18	18	18	18
Part-time paid police	4	3	4	5	3
Civilian employees	2	2	2	2	2
Fire					
Stations	1	1	1	1	1
Volunteer fire fighters	32	32	32	32	32
Hydrants	518	530		554	556
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	73	73	73	74	74
Percent of paved streets	94%	94%	96%	96%	96%
Signalized intersections	9	9	9	10	10
Parks division					
Neighborhood parks	18	19	19	19	26
Area in acres	340	380	380	380	540
Basketball courts	2	2	2	2	2
Hockey rinks/indoor	1	1	1	1	1
Hockey rinks/outdoor	1	1	1	1	1
Baseball diamonds	-	-	-	-	-
Softball diamonds	3	3	3	3	5
Swimming areas	2	2	2	2	2
Tennis courts	2	2	2	2	4
Volleyball courts	2	2	2	2	2
Utilities					
Municipal water					
Consumers	4,561	4,570	4,591	4,595	4,598
Average daily consumption	1,484,499	1,526,792	1,571,569	1,627,440	1,634,208
Maximum production capacity	4,300,000	4,300,000	4,300,000	4,300,000	5,400,000
Storage capacity	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Miles of water main	79	79	82	83	83
Municipal wastewater treatment					
Average daily treatment	1,304,712	1,594,767	1,854,109	1,663,014	1,442,877
Maximum design capacity	6,000,000	6,000,000	6,000,000	6,000,000	11,500,000
Miles of sanitary sewer	73	73	74	80	80
Storm drains					
Miles of storm sewer	39	39	41	41	41
Holding ponds	7	7	8	8	8
Parking system					
Off-street parking					
Off street lots	6	7	7	7	7
Employees					
Supervisors	15	15	15	12	13
Union employees	81	81	82	73	72
Other employees	20	20	20	18	18
Total employees	106	106	107	103	103

Source: City of Fairmont Records

Note: No capital asset indicators are available for the general government function.

Table 19

Fiscal Year				
2009	2010	2011	2012	2013
1	1	1	1	1
18	18	17	17	16
3	3	3	3	3
1	1	2	2	2
1	1	1	1	1
32	32	32	32	32
556	556	556	556	556
5	5	5	5	5
74	74	74	74	74
96%	96%	96%	96%	96%
10	10	10	10	10
26	26	26	26	26
540	540	540	540	540
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
-	-	-	1	1
5	5	5	3	3
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
4,599	4,443	4,442	4,429	4,426
1,546,175	1,539,775	1,413,036	1,272,199	1,134,577
5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
83	83	83	83	83
1,470,521	2,030,301	1,799,452	1,109,123	1,282,658
11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
80	80	80	80	80
41	41	41	41	41
8	8	8	8	8
7	7	7	7	7
13	13	11	10	10
65	65	59	58	57
18	18	19	17	17
96	96	89	85	84

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CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

Policy Information

PROPERTY INSURANCE

Building and Contents

All Risk (Per Company Form)
Replacement Cost/Agreed Amount (90%)
Replacement Cost/Agreed Amount

\$ 10,000	Deductible - Each Occurrence *
\$ 90,154,840	Blanket Limit

(Schedule on File with Company)

Extra Expense

All Risk (Per Company Form)
40%-80%-100% Limitation

\$ 10,000	Deductible - Each Occurrence *
\$ 5,000,000	Limit - Per Occurrence

Valuable Papers

All Risk (Per Company Form)

\$ 10,000	Deductible - Each Occurrence *
\$ 500,000	Limit - Per Location

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

INLAND MARINE POLICY

All Risk (Per Company Form)
100% Coinsurance
Actual Cash Value

\$ 10,000	Deductible - Each Occurrence *
\$ 2,448,848	Total Limit

* Subject to General Annual Aggregate: \$100,000
Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

Policy Information

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

GENERAL LIABILITIES

\$ 1,500,000	Bodily Injury and Property Damage - Combined Single Limit "Claims Made" form
\$ 2,000,000	Products/Completed Operations Aggregate Limit
\$ 1,500,000	Per Loss Occurrence/Aggregate - Employee Benefits Liability
\$ 10,000	Deductible - Bodily Injury and Property Damage - Each Occurrence*
\$ 1,000	Medical Payments - Each Person Limit
\$ 10,000	- Aggregate Occurrence Limit
Includes:	Premises/Operations Products/Completed Operations Blanket Contractual Personal Injury - Including Law Enforcement Personnel Broad Form Property Damage Fire Legal Liability (\$50,000) Employees as Additional Insured Punitive Damages Extended Bodily Injury Independent Contractors Incidental Medical Malpractice Nonowned Watercraft (Up to 26') Fellow Employee Exclusion – Deleted Limited Pollution Coverage Only

* Subject to General Annual Aggregate: \$100,000

Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

Policy Information

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

GENERAL LIABILITIES - Continued

Excludes:

Prior Acts (Retro Date: 12-01-87)

Specified Accident(s), Products, Work, or
Location(s) - Refer to Policy Endorsement ESA (12-86)

Airport Liability
Utility Supply Failure
Nursing Home Liability
Liquor Legal Liability

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

AUTOMOBILE

\$ 1,500,000	Bodily Injury and Property Damage - Combined Single Limit
\$ 40,000	Personal Injury Protection
\$ 200,000	Uninsured and Underinsured Motorist
	Garagekeepers Legal Liability

Comprehensive
Collision

\$ 500	Deductible - Each Occurrence *
--------	--------------------------------

Total Number of Vehicles - Liability: 102

Total Number of Vehicles – Physical Damage: 77

Includes: Hired and Nonowned Automobile Liability

Fellow Employee Exclusion - Deleted

* Subject to General Annual Aggregate: \$100,000
Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

Policy Information

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

AUTOMOBILE - Continued

"All Lines" Deductible/General Aggregate

The following coverages, as written with the League of Minnesota Cities Insurance Trust, are subject to an All Lines Deductible and Annual General Aggregate:

Property (Building, Contents and Extra Expense)
Inland Marine (Contractors Equipment, Miscellaneous Equipment, Valuable Papers)
Comprehensive General Liability
Automobile

\$ 500 Deductible - Each Occurrence

If the Annual Aggregate is exceeded, then a \$1,000 deductible (per occurrence) shall apply.

Legal defense costs, loss adjustment expenses and claims costs are all considered "damage" and are subject to the deductibles specified.

Refer to policy from ME030 (11/86) for additional terms and conditions.

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

ERRORS AND OMISSIONS LIABILITY

"Claims Made" Form

\$ 1,000,000 Limit - Each Loss/Aggregate

\$ 10,000 Deductible - Any One Claim

L.M.C.I.T.
LLC 2663
01-01-13/1-1-14

LIQUOR LIABILITY

Limits:

\$ 1,000,000 Bodily Injury – Each Person
\$ 1,000,000 Bodily Injury – Each Common Cause
\$ 1,000,000 Property Damage – Each Common Cause
\$ 1,000,000 Loss of Means of Support – Each Common Cause
\$ 1,000,000 Aggregate

Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

Policy Information

L.M.C.I.T.
CMC35020
01-01-13/1-1-14

CRIME POLICY

1. Broad Form Money and Securities

\$ 10,000	Deductible
\$ 250,000	Limit

2. Depositors' Forgery

\$ 10,000	Deductible
\$ 250,000	Limit

3. Bond Coverage

Faithful Performance Blanket Position Bond

\$ 1,000	Deductible
\$ 500,000	Blanket Limit

L.M.C.I.T.
0200052128
10-01-13/10-01-14

WORKERS' COMPENSATION

Statutory Limit

Employer's Liability

\$ 1,500,000	Bodily Injury by Accident
\$ 1,500,000	Bodily Injury by Disease - Policy Limit
\$ 1,500,000	Bodily Injury by Disease - Any One Employee

Includes both City of Fairmont and Public Utilities Commission

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 20

Insurer
Policy Number
Date of Coverage

L.M.C.I.T.
0200052128
10-1-13/10-1-14

Policy Information

WORKERS' COMPENSATION - Continued

<u>Classification</u>	<u>Payroll</u>	<u>Rate</u>
Street and Road Construction	\$ 520,000	8.14
Waterworks	705,000	4.15
Electric and Steam Plant	765,000	3.63
Sewage Disposal Plant	305,000	4.48
Fire Fighters (Volunteer) (population)	12,866	138.56
Police	1,275,000	3.22
Off Sale Liquor Store	215,000	2.68
City Shop and Yard	105,000	4.11
Clerical	1,000,000	0.67
Building Maintenance and Repair	105,000	4.94
Parks	500,000	3.75
Municipal Employees	575,000	0.69
Elected or Appointed Officials	18,200	0.32
Animal Control	56,000	2.24
Total Premium	\$217,897	
Experience Modification	<u>1.05</u>	
Standard Premium	228,792	
Deductible Credit 0%	-	
Premium Discount	<u>24,351</u>	
Net Deposit Premium	<u>\$204,441</u>	

Includes both City of Fairmont and Public Utilities Commission

TABLE 20

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CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
MISCELLANEOUS STATISTICAL FACTS
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 21

WATER SYSTEM

Source	Budd Lake
Number of Connections - Residential	3,934
- Commercial	491
- Industrial	1
Daily Average Consumption (Gallons)	1,134,577
System Capacity (Gallons)	5,400,000
Miles of Water Mains in Service	82
Number of Fire Hydrants	556
Wells	1

SEWER SYSTEM

Discharge	Center Creek
Number of Connections - Residential	3,932
- Commercial	456
- Industrial	1
Miles of Sanitary Sewer	74
Number of Lift Stations	30
Daily Average Treatment (Gallons)	1,282,658
Maximum Capacity of Treatment Plant (Gallons)	11,500,000

ELECTRIC SYSTEM

Generating Capacity	-
Number of Connections - Residential	5,000
- Commercial	815
- Industrial	12
Miles of Transmission Lines	5
Square Miles of Service Area	48
Number of Substations	3

STORM SEWERS

Miles of Storm Sewers	41
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CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009
Electric Department					
Production	\$11,370,136	\$11,488,996	\$11,793,263	\$11,907,333	\$11,457,408
Distribution	1,173,817	1,251,599	1,234,196	1,212,690	1,071,154
Administration and depreciation	1,357,745	1,253,489	1,210,384	1,219,437	1,066,353
Total Electric Department	<u>13,901,698</u>	<u>13,994,084</u>	<u>14,237,843</u>	<u>14,339,460</u>	<u>13,594,915</u>
Water Department					
Filtration	950,375	957,550	1,007,315	1,128,507	1,164,881
Distribution	466,580	449,489	282,000	432,482	437,103
Administration and depreciation	436,620	356,590	327,437	286,837	264,022
Total Water Department	<u>1,853,575</u>	<u>1,763,629</u>	<u>1,616,752</u>	<u>1,847,826</u>	<u>1,866,006</u>
District Heat Department					
Production	-	-	62,657	116,599	122,270
Distribution	-	-	602	794	654
Administration and depreciation	-	-	-	246,203	222,305
Total District Heat Department	<u>-</u>	<u>-</u>	<u>63,259</u>	<u>363,596</u>	<u>345,229</u>
Wastewater Department					
Treatment	633,326	623,509	588,910	587,921	584,674
Collection	303,052	279,944	284,448	271,987	293,973
Administration and depreciation	843,856	781,998	780,124	709,412	690,480
Total Wastewater Department	<u>1,780,234</u>	<u>1,685,451</u>	<u>1,653,482</u>	<u>1,569,320</u>	<u>1,569,127</u>
TOTAL	<u>\$17,535,507</u>	<u>\$17,443,164</u>	<u>\$17,571,336</u>	<u>\$18,120,202</u>	<u>\$17,375,277</u>

Table 22

2008	2007	2006	2005	2004
\$11,856,255	\$12,023,808	\$10,847,733	\$ 9,690,725	\$ 9,344,317
998,186	833,174	806,975	780,716	789,315
1,013,880	1,030,065	1,037,615	1,048,363	1,030,547
13,868,321	13,887,047	12,692,323	11,519,804	11,164,179
1,039,526	948,844	851,656	801,286	771,370
401,887	370,711	331,522	294,012	287,918
259,007	250,072	249,915	240,202	213,118
1,700,420	1,569,627	1,433,093	1,335,500	1,272,406
164,148	298,515	510,224	548,359	418,479
6,909	2,844	34,384	46,459	81,918
218,556	28,460	41,242	31,227	30,919
389,613	329,819	585,850	626,045	531,316
617,598	530,013	501,320	343,793	330,129
260,666	267,312	248,060	269,299	250,746
676,457	676,959	254,427	246,667	211,559
1,554,721	1,474,284	1,003,807	859,759	792,434
<u>\$17,513,075</u>	<u>\$17,260,777</u>	<u>\$15,715,073</u>	<u>\$14,341,108</u>	<u>\$13,760,335</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
REVENUE BY UTILITY
LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Electric Department	\$14,639,236	\$14,856,538	\$15,601,619	\$14,724,031	\$14,270,358
Water Department	3,332,167	3,023,394	2,838,809	2,413,865	2,037,674
District Heat Department	-	-	82,626	129,919	144,589
Wastewater Department	<u>2,542,395</u>	<u>2,159,105</u>	<u>2,246,597</u>	<u>2,250,191</u>	<u>2,143,140</u>
Total	<u><u>\$20,513,798</u></u>	<u><u>\$20,039,037</u></u>	<u><u>\$20,769,651</u></u>	<u><u>\$19,518,006</u></u>	<u><u>\$18,595,761</u></u>

Table 23

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$13,775,629	\$13,465,436	\$12,776,569	\$11,717,846	\$11,110,567
1,810,191	1,679,360	1,475,229	1,321,156	1,328,534
170,136	211,636	359,280	377,396	383,288
<u>2,121,165</u>	<u>2,080,260</u>	<u>1,683,571</u>	<u>1,584,965</u>	<u>1,592,448</u>
<u><u>\$17,877,121</u></u>	<u><u>\$17,436,692</u></u>	<u><u>\$16,294,649</u></u>	<u><u>\$15,001,363</u></u>	<u><u>\$14,414,837</u></u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT HOURS GENERATED AND PURCHASED
LAST TEN FISCAL YEARS

Table 24

<u>Year</u>	<u>Gross Generation</u>	<u>Purchased KWH</u>	<u>Purchased From</u>	<u>Total KWH</u>	<u>* Sales KWH</u>	<u>Own Use</u>	<u>Peak Demand</u>
2013	-	157,632,145	SMMPA/WAPA	157,632,145	148,187,120	-	31,049
2012	-	158,852,096	SMMPA/WAPA	158,852,096	151,973,053	-	31,652
2011	133,000	161,848,504	SMMPA/WAPA	161,981,504	155,661,326	1,500	32,059
2010	2,943,000	160,021,257	SMMPA/WAPA	162,964,257	153,605,131	37,500	31,450
2009	761,000	154,409,696	SMMPA/WAPA	155,170,696	147,794,464	10,500	28,091
2008	717,000	163,462,422	SMMPA/WAPA	164,179,422	158,023,616	15,000	31,149
2007	3,969,000	160,039,155	SMMPA/WAPA	164,008,155	154,796,516	159,500	31,248
2006	4,984,000	149,669,523	SMMPA/WAPA	154,653,523	148,178,027	227,000	27,513
2005	4,715,000	149,987,907	SMMPA/WAPA	154,702,907	151,264,308	224,000	28,953
2004	2,299,000	149,551,134	SMMPA	151,850,134	146,051,653	102,500	29,336

* Includes own use (but not station service).

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
COST PER KWH GENERATED AND PURCHASED
LAST TEN FISCAL YEARS

Table 25

Year	Production Cost Per KWH	Distribution Cost Per KWH	Administrative Cost Per KWH	Depreciation Cost Per KWH	Total Cost Per KWH	Total KWH Purchased and Generated Billed and Used	Cost Per KWH Billed and Used
2013	\$ 11,370,136 0.07213	\$ 1,173,817 0.00745	\$ 932,076 0.00591	\$ 425,669 0.00270	\$ 13,901,698 0.08819	\$157,632,145 148,187,120	\$ 0.09381
2012	11,488,996 0.07233	1,251,599 0.00788	825,695 0.00520	427,794 0.00269	13,994,084 0.08810	158,852,096 151,973,053	0.09208
2011	11,793,263 0.07281	1,234,196 0.00762	781,856 0.00483	428,528 0.00265	14,237,843 0.08791	161,981,504 155,661,326	0.09147
2010	11,907,333 0.07307	1,212,690 0.00744	748,128 0.00459	471,309 0.00289	14,339,460 0.08799	162,964,257 153,605,131	0.09335
2009	11,457,408 0.07384	1,071,154 0.00690	599,429 0.00386	466,924 0.00301	13,594,915 0.08761	155,170,696 147,794,464	0.09199
2008	11,856,255 0.07222	998,186 0.00608	580,545 0.00354	433,335 0.00264	13,868,321 0.08448	164,179,422 158,023,616	0.08776
2007	12,023,808 0.07331	833,174 0.00508	566,781 0.00346	463,284 0.00282	13,887,047 0.08467	164,008,155 154,796,516	0.08971
2006	10,847,733 0.07014	806,975 0.00522	499,163 0.00323	538,452 0.00348	12,692,323 0.08207	154,653,523 148,178,027	0.08566
2005	9,690,725 0.06264	780,716 0.00505	514,987 0.00333	533,376 0.00345	11,519,804 0.07447	154,702,907 151,264,308	0.07616
2004	9,344,317 0.06154	789,315 0.00520	489,855 0.00323	540,692 0.00356	11,164,179 0.07353	151,850,134 146,051,653	0.07644

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CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT SALES - CONTINUED ON THE FOLLOWING PAGES
LAST TEN FISCAL YEARS

Table 26

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2013						
Residential Light	29,755,931	\$ 2,500,922	\$ 0.084048	20.1 %	17.5 %	-
Commercial Service	22,067,984	1,728,734	0.078337	14.9	12.1	-
General Service	19,989,428	1,354,742	0.067773	13.5	9.5	-
Industrial Sales	49,455,710	3,141,624	0.063524	33.3	22.0	-
All Electric	9,054,123	549,234	0.060661	6.1	3.9	-
Rural Electric	3,946,018	319,756	0.081033	2.7	2.2	-
Filter Plant	1,212,440	46,073	0.038000	0.8	0.3	-
Street Lighting	1,751,086	131,332	0.075000	1.2	0.9	-
Flat Rate Security Lights	125,846	10,519	0.083586	0.1	0.1	-
Residential Heat	8,600,482	687,168	0.079899	5.8	4.8	-
Wastewater Plant	1,325,800	50,380	0.038000	0.9	0.4	-
Seasonal Heat Rate	902,272	41,182	0.045643	0.6	0.3	-
Energy Cost Adjustment	-	3,703,983	-	-	26.0	-
Total Sales	<u>148,187,120</u>	<u>\$ 14,265,649</u>	<u>\$ 0.096268</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>-</u>
2012						
Residential Light	30,135,119	\$ 2,585,797	\$ 0.085807	19.8 %	17.9 %	4,002
Commercial Service	21,416,365	1,681,089	0.078496	14.1	11.6	741
General Service	19,763,554	1,366,118	0.069123	13.0	9.5	47
Industrial Sales	54,749,354	3,291,661	0.060122	36.1	23.0	12
All Electric	8,402,183	524,619	0.062438	5.5	3.6	8
Rural Electric	3,541,412	294,972	0.083292	2.3	2.0	225
Filter Plant	1,475,640	56,074	0.038000	1.0	0.4	1
Street Lighting	1,767,241	132,543	0.075000	1.2	0.9	6
Flat Rate Security Lights	131,924	10,427	0.079038	0.1	0.1	-
Residential Heat	8,688,023	652,925	0.075152	5.7	4.5	798
Wastewater Plant	1,248,800	47,454	0.038000	0.8	0.3	1
Seasonal Heat Rate	653,438	30,192	0.046205	0.4	0.2	26
Energy Cost Adjustment	-	3,758,736	-	-	26.0	-
Total Sales	<u>151,973,053</u>	<u>\$ 14,432,607</u>	<u>\$ 0.094968</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT SALES - CONTINUED
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2011						
Residential Light	31,317,844	\$ 2,588,036	\$ 0.082638	20.1 %	17.7 %	4,002
Commercial Service	21,389,157	1,669,914	0.078073	13.7	11.4	741
General Service	19,416,287	1,334,831	0.068748	12.5	9.1	47
Industrial Sales	56,005,474	3,371,816	0.060205	36.0	23.1	12
All Electric	9,281,304	562,505	0.060606	6.0	3.8	8
Rural Electric	3,625,936	300,942	0.082997	2.3	2.1	225
Filter Plant	1,647,720	62,613	0.038000	1.1	0.4	1
Street Lighting	1,902,419	141,340	0.074295	1.2	1.0	6
Flat Rate Security Lights	136,259	10,456	0.076736	0.1	0.1	-
Residential Heat	8,694,687	652,295	0.075022	5.6	4.5	798
Wastewater Plant	1,270,200	48,268	0.038000	0.8	0.3	1
Seasonal Heat Rate	974,039	45,552	0.046766	0.6	0.3	26
Energy Cost Adjustment	-	3,823,925	-	-	26.2	-
Total Sales	<u>155,661,326</u>	<u>\$ 14,612,493</u>	<u>\$ 0.093874</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,867</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2010						
Residential Light	31,894,419	\$ 2,702,082	\$ 0.084720	20.8 %	19.7 %	4,171
Commercial Service	21,998,943	1,728,919	0.078591	14.3	12.6	745
General Service	18,805,492	1,328,236	0.070630	12.2	9.7	46
Industrial Sales	53,529,617	3,239,643	0.060521	34.8	23.5	12
All Electric	9,201,420	579,854	0.063018	6.0	4.2	8
Rural Electric	3,967,369	328,252	0.082738	2.6	2.4	225
Filter Plant	1,637,640	62,230	0.038000	1.1	0.5	1
Street Lighting	1,822,396	136,680	0.075000	1.2	1.0	6
Flat Rate Security Lights	131,245	10,402	0.079256	0.1	0.1	-
Residential Heat	8,317,835	628,600	0.075573	5.4	4.6	702
Wastewater Plant	1,239,000	47,082	0.038000	0.8	0.3	1
Seasonal Heat Rate	1,059,755	46,254	0.043646	0.7	0.3	26
Energy Cost Adjustment	-	2,895,457	-	-	21.1	-
Total Sales	<u>153,605,131</u>	<u>\$ 13,733,691</u>	<u>\$ 0.089409</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>5,943</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT SALES - CONTINUED
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2009						
Residential Light	29,548,251	\$ 2,496,269	\$ 0.084481	20.0 %	19.5 %	4,171
Commercial Service	21,147,548	1,657,512	0.078378	14.3	13.0	796
General Service	17,205,668	1,259,603	0.073209	11.6	9.8	50
Industrial Sales	53,365,590	3,230,462	0.060535	36.1	25.2	13
All Electric	8,825,880	535,174	0.060637	6.0	4.2	9
Rural Electric	3,855,337	319,832	0.082958	2.6	2.5	229
Filter Plant	1,768,320	67,196	0.038000	1.2	0.5	1
Street Lighting	1,890,163	141,762	0.075000	1.3	1.1	6
Flat Rate Security Lights	136,287	10,942	0.080286	0.1	0.1	-
Residential Heat	7,579,424	570,356	0.075251	5.1	4.5	781
Wastewater Plant	1,286,800	48,898	0.038000	0.9	0.4	1
SMMPA Expansion Rate	1,185,196	51,063	0.043084	0.8	0.4	28
Energy Cost Adjustment	-	2,402,147	-	-	18.8	-
Total Sales	<u>147,794,464</u>	<u>\$ 12,791,216</u>	<u>\$ 0.086547</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,085</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2008						
Residential Light	31,820,797	\$ 2,674,982	\$ 0.084064	20.1 %	22.3 %	4,207
Commercial Service	22,364,623	1,712,882	0.076589	14.2	14.3	802
General Service	18,926,148	1,338,894	0.070743	12.0	11.2	50
Industrial Sales	58,212,755	3,463,267	0.059493	36.7	28.8	13
All Electric	9,575,900	570,879	0.059616	6.1	4.8	9
Rural Electric	3,770,514	312,842	0.082971	2.4	2.6	228
Filter Plant	1,834,560	69,713	0.038000	1.2	0.6	1
Street Lighting	1,865,340	139,901	0.075000	1.2	1.2	6
Flat Rate Security Lights	134,568	11,168	0.082991	0.1	0.1	-
Residential Heat	7,057,854	554,944	0.078628	4.5	4.6	747
Wastewater Plant	1,297,400	49,301	0.038000	0.8	0.4	1
SMMPA Expansion Rate	1,163,157	50,134	0.043102	0.7	0.4	-
Energy Cost Adjustment	-	1,037,185	-	-	8.7	-
Total Sales	<u>158,023,616</u>	<u>\$ 11,986,092</u>	<u>\$ 0.075850</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,064</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT SALES - CONTINUED
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2007						
Residential Light	33,458,734	\$ 2,807,089	\$ 0.083897	21.6 %	25.5 %	4,281
Commercial Service	22,462,159	1,758,912	0.078306	14.5	16.0	797
General Service	18,978,372	1,357,619	0.071535	12.3	12.3	49
Industrial Sales	54,844,841	3,313,269	0.060412	35.4	30.2	13
All Electric	9,788,360	589,448	0.060219	6.3	5.4	9
Rural Electric	3,606,573	304,985	0.084564	2.3	2.8	226
Filter Plant	1,825,560	69,371	0.038000	1.2	0.6	1
Street Lighting	1,325,551	99,416	0.075000	0.9	0.9	6
Flat Rate Security Lights	135,339	11,186	0.082652	0.1	0.1	-
Residential Heat	6,533,766	492,211	0.075333	4.2	4.5	665
Wastewater Plant	1,278,400	48,579	0.038000	0.8	0.4	1
SMMPA Expansion Rate	558,861	24,195	0.043293	0.4	0.2	27
Energy Cost Adjustment	-	119,430	-	-	1.1	-
Total Sales	<u>154,796,516</u>	<u>\$ 10,995,710</u>	<u>\$ 0.071033</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,075</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2006						
Residential Light	33,184,134	\$ 2,786,577	\$ 0.083973	22.4 %	27.8 %	4,342
Commercial Service	21,067,349	1,627,201	0.077238	14.2	16.2	804
General Service	17,372,644	1,294,206	0.074497	11.7	12.9	49
Industrial Sales	53,316,665	3,312,434	0.062128	36.0	33.2	15
All Electric	9,194,840	557,731	0.060657	6.2	5.6	9
Rural Electric	3,720,476	309,215	0.083112	2.5	3.1	226
Filter Plant	1,892,520	71,916	0.038000	1.3	0.7	1
Street Lighting	1,301,875	97,641	0.075000	0.9	1.0	6
Flat Rate Security Lights	132,448	11,299	0.085309	0.1	0.1	-
Residential Heat	5,778,897	436,919	0.075606	3.9	4.4	624
Wastewater Plant	1,169,400	44,437	0.038000	0.8	0.4	1
SMMPA Expansion Rate	46,779	2,047	0.043759	-	-	12
Energy Cost Adjustment	-	(537,645)	-	-	(5.4)	12
Total Sales	<u>148,178,027</u>	<u>\$ 10,013,978</u>	<u>\$ 0.067581</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,101</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
KILOWATT SALES - CONTINUED
LAST TEN FISCAL YEARS

Table 26 (Continued)

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2005						
Residential Light	34,276,987	\$ 2,873,713	\$ 0.083838	22.7 %	31.5 %	4,357
Commercial Service	21,111,842	1,573,272	0.074521	14.0	17.3	801
General Service	17,915,700	1,385,329	0.077325	11.8	15.2	51
Industrial Sales	49,848,714	3,123,624	0.062662	32.9	34.2	15
All Electric	9,490,960	569,712	0.060027	6.3	6.2	8
Rural Electric	3,691,045	307,145	0.083214	2.4	3.4	226
Filter Plant	1,650,960	62,736	0.038000	1.1	0.7	1
Street Lighting	1,312,488	98,437	0.075000	0.9	1.1	6
Flat Rate Security Lights	132,966	11,380	0.085586	0.1	0.1	-
Residential Heat	5,316,644	402,326	0.075673	3.5	4.4	571
Wastewater Plant	1,103,280	41,925	0.038000	0.7	0.5	1
SMMPA Expansion Rate	5,412,722	198,647	0.036700	3.6	2.2	-
Energy Cost Adjustment	-	(1,531,721)	-	-	(16.8)	-
Total Sales	<u>151,264,308</u>	<u>\$ 9,116,525</u>	<u>\$ 0.060269</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,037</u>

Type of Service	KWH	Amount Billed	Revenue Per KWH	Percent of KWH to Total KWH	Percent of Revenue to Total Revenue	Number of Meters in Service
2004						
Residential Light	31,464,241	\$ 2,657,424	\$ 0.084459	21.5 %	30.2 %	4,381
Commercial Service	19,436,082	1,501,056	0.077230	13.3	17.1	799
General Service	16,682,976	1,277,085	0.076550	11.4	14.5	53
Industrial Sales	49,961,822	3,158,456	0.063217	34.3	35.9	15
All Electric	9,535,080	566,511	0.059413	6.5	6.4	8
Rural Electric	3,591,256	299,093	0.083284	2.5	3.4	226
Filter Plant	1,525,320	57,962	0.038000	1.0	0.7	1
Street Lighting	1,288,970	96,673	0.075000	0.9	1.1	6
Flat Rate Security Lights	131,068	11,209	0.085520	0.1	0.1	-
Residential Heat	4,578,493	347,439	0.075885	3.1	4.0	538
Wastewater Plant	1,326,600	50,411	0.038000	0.9	0.6	1
SMMPA Expansion Rate	6,529,745	238,573	0.036536	4.5	2.7	1
Energy Cost Adjustment	-	(1,467,483)	-	-	(16.7)	-
Total Sales	<u>146,051,653</u>	<u>\$ 8,794,409</u>	<u>\$ 0.060214</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>6,029</u>

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
LARGE ELECTRIC USERS
TOTAL KILOWATT HOURS USED AND REVENUE EARNED PER YEAR
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009
Industrial/Commercial Users					
Tyco Plastics (formerly Armin Plastics)	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Fairmont Foods	2,464,831	14,315,307	15,975,378	14,405,962	15,229,904
	\$ 1,042,803	\$ 1,180,918	\$ 1,317,813	\$ 1,114,623	\$ 1,130,627
Minnesota Mining and Manufacturing	7,591,649	7,712,425	7,361,865	7,172,204	6,743,792
	\$ 619,290	\$ 631,048	\$ 604,175	\$ 547,629	\$ 498,185
Harsco Track Technology	552,000	571,200	1,136,400	1,742,400	1,935,600
	\$ 54,207	\$ 56,457	\$ 122,519	\$ 177,622	\$ 184,883
Hancor	7,509,000	8,627,000	7,840,000	7,092,000	6,536,000
	\$ 666,009	\$ 723,634	\$ 661,645	\$ 566,223	\$ 519,326
Weigh-Tronix	5,734,080	6,392,412	6,501,321	6,501,551	6,111,050
	\$ 530,950	\$ 575,467	\$ 589,774	\$ 551,984	\$ 511,612
Fareway Foods	1,484,452	1,398,829	1,309,292	1,142,880	-
	\$ 124,463	\$ 119,854	\$ 115,007	\$ 89,704	\$ -
Shopko	1,414,500	1,451,000	1,287,750	1,280,250	1,246,000
	\$ 122,882	\$ 123,958	\$ 113,221	\$ 105,200	\$ 98,515
Holiday Inn	1,633,500	1,552,500	1,759,000	1,674,250	1,610,500
	\$ 143,720	\$ 139,323	\$ 154,431	\$ 138,570	\$ 127,840
Fairmall Shopping Center	1,092,200	945,860	776,400	789,640	760,940
	\$ 103,406	\$ 88,258	\$ 90,337	\$ 71,990	\$ 69,330
Hy-Vee Foods	2,698,800	2,605,120	2,657,440	2,525,920	2,670,880
	\$ 222,689	\$ 221,566	\$ 211,168	\$ 189,363	\$ 192,183
Fairmont Refrigerated Services	6,139,800	6,127,560	6,030,720	5,872,680	6,031,080
	\$ 480,003	\$ 474,287	\$ 465,861	\$ 424,233	\$ 414,539
Kmart	-	-	-	-	129,984
	\$ -	\$ -	\$ -	\$ -	\$ 11,927
Wal-Mart Stores	3,296,000	3,449,200	3,506,800	3,476,800	3,461,200
	\$ 270,157	\$ 283,831	\$ 285,919	\$ 268,115	\$ 255,977
Fairmont Hospital	6,375,600	6,314,400	6,735,600	6,806,700	6,521,400
	\$ 527,157	\$ 516,892	\$ 557,202	\$ 540,320	\$ 485,053
I.S.D. No. 2752	3,585,720	3,427,680	3,211,200	2,558,880	2,312,000
	\$ 400,658	\$ 384,529	\$ 346,486	\$ 240,995	\$ 209,171
Wastewater Treatment Plant	1,325,800	1,248,800	1,270,200	1,239,000	1,286,800
	\$ 89,004	\$ 83,835	\$ 79,786	\$ 70,727	\$ 69,939
Water Treatment Plant	1,212,440	1,475,640	1,647,730	1,637,640	1,768,320
	\$ 76,158	\$ 92,691	\$ 103,500	\$ 93,483	\$ 96,110

TABLE 27

2008	2007	2006	2005	2004
-	-	-	-	1,422,000
\$ -	\$ -	\$ -	\$ -	\$ 130,194
16,305,260	16,582,991	15,601,780	17,802,000	16,711,200
\$ 1,032,066	\$ 945,836	\$ 843,067	\$ 813,975	\$ 741,899
7,023,623	4,696,660	4,180,645	5,709,715	7,713,600
\$ 448,190	\$ 301,849	\$ 256,485	\$ 283,599	\$ 358,050
1,990,800	2,187,600	2,823,600	3,142,800	2,808,000
\$ 173,609	\$ 171,938	\$ 188,840	\$ 179,866	\$ 166,722
6,944,000	6,014,920	5,823,360	5,058,240	4,980,480
\$ 477,075	\$ 400,844	\$ 394,952	\$ 333,374	\$ 320,203
7,540,040	7,607,048	7,158,260	6,989,431	6,945,300
\$ 526,424	\$ 487,991	\$ 436,365	\$ 378,929	\$ 378,129
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
1,419,000	1,407,000	1,428,000	1,373,000	1,263,750
\$ 94,750	\$ 89,319	\$ 84,316	\$ 68,831	\$ 65,798
1,803,000	1,739,750	1,642,000	1,697,750	1,616,000
\$ 121,897	\$ 109,607	\$ 99,697	\$ 90,391	\$ 86,591
905,540	990,760	1,069,700	1,058,660	1,066,440
\$ 71,467	\$ 72,912	\$ 70,974	\$ 65,020	\$ 67,505
2,649,280	2,862,720	2,869,440	2,814,560	2,735,040
\$ 161,366	\$ 157,690	\$ 147,512	\$ 123,548	\$ 120,493
6,042,600	6,460,920	6,207,840	4,662,000	4,078,800
\$ 358,950	\$ 349,012	\$ 325,735	\$ 204,225	\$ 179,214
1,114,752	1,640,832	1,788,480	1,877,952	1,867,776
\$ 84,373	\$ 104,679	\$ 101,591	\$ 92,511	\$ 91,482
3,676,400	1,945,200	-	-	-
\$ 232,011	\$ 113,010	\$ -	\$ -	\$ -
6,997,500	7,279,200	6,711,300	7,075,800	7,232,400
\$ 444,303	\$ 423,944	\$ 362,057	\$ 331,803	\$ 334,837
2,367,120	2,384,800	2,372,760	2,403,080	2,411,120
\$ 190,684	\$ 179,895	\$ 168,889	\$ 152,874	\$ 155,144
1,297,400	1,278,400	1,169,400	1,269,280	1,326,600
\$ 57,887	\$ 49,573	\$ 40,168	\$ 37,349	\$ 36,374
1,834,560	1,825,560	1,892,520	1,650,960	1,525,320
\$ 81,854	\$ 70,790	\$ 65,006	\$ 45,297	\$ 41,823

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
RAW WATER FINISHED AND SOLD
LAST TEN FISCAL YEARS

TABLE 28

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2013</u>					
Net Raw Water	526,958,224	100.0 %			
Used in Production	<u>58,852,312</u>	<u>11.2</u>			
Net Finished Water	468,105,912	88.8			
Loss in Distribution System (including hydrant)	<u>53,985,299</u>	<u>10.2</u>			
 Total Sales	<u>414,120,613</u>	<u>78.6</u>	\$ 2,995,348	\$ 7.233033	4,426
 <u>2012</u>					
Net Raw Water	485,011,000	100.0			
Used in Production	<u>20,658,344</u>	<u>4.3</u>			
Net Finished Water	464,352,656	95.7			
Loss in Distribution System (including hydrant)	<u>34,019,079</u>	<u>7.0</u>			
 Total Sales	<u>430,333,577</u>	<u>88.7</u>	2,699,242	6.272441	4,429
 <u>2011</u>					
Net Raw Water	589,167,636	100.0			
Used in Production	<u>73,409,316</u>	<u>12.5</u>			
Net Finished Water	515,758,320	87.5			
Loss in Distribution System (including hydrant)	<u>60,617,941</u>	<u>10.3</u>			
 Total Sales	<u>455,140,379</u>	<u>77.2</u>	2,536,752	5.573560	4,442
 <u>2010</u>					
Net Raw Water	591,918,009	100.0			
Used in Production	<u>61,373,009</u>	<u>10.4</u>			
Net Finished Water	530,545,000	89.6			
Loss in Distribution System (including hydrant)	<u>65,137,047</u>	<u>11.0</u>			
 Total Sales	<u>465,407,953</u>	<u>78.6</u>	2,114,745	4.543852	4,443
 <u>2009</u>					
Net Raw Water	590,695,431	100.0			
Used in Production	<u>26,341,431</u>	<u>4.5</u>			
Net Finished Water	564,354,000	95.5			
Loss in Distribution System (including hydrant)	<u>82,518,126</u>	<u>14.0</u>			
 Total Sales	<u>481,835,874</u>	<u>81.5</u>	1,732,391	3.595396	4,599

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
RAW WATER FINISHED AND SOLD - CONTINUED
LAST TEN FISCAL YEARS

TABLE 28

	<u>Volume in Gallons</u>	<u>Percent of Total Pumped</u>	<u>Total Revenue</u>	<u>Revenue per 1,000 Gallons</u>	<u>Number of Water Meters</u>
<u>2008</u>					
Net Raw Water	640,175,884	100.0 %			
Used in Production	<u>43,689,884</u>	<u>6.8</u>			
Net Finished Water	596,486,000	93.2			
Loss in Distribution System (including hydrant)	<u>74,210,862</u>	<u>11.6</u>			
 Total Sales	<u>522,275,138</u>	<u>81.6</u>	\$ 1,541,024	\$ 2.950598	4,598
<u>2007</u>					
Net Raw Water	665,162,504	100.0			
Used in Production	<u>71,147,004</u>	<u>10.7</u>			
Net Finished Water	594,015,500	89.3			
Loss in Distribution System (including hydrant)	<u>57,573,431</u>	<u>8.7</u>			
 Total Sales	<u>536,442,069</u>	<u>80.6</u>	1,409,026	2.626614	4,595
<u>2006</u>					
Net Raw Water	626,125,629	100.0			
Used in Production	<u>52,469,929</u>	<u>8.4</u>			
Net Finished Water	573,655,700	91.6			
Loss in Distribution System (including hydrant)	<u>56,890,894</u>	<u>9.1</u>			
 Total Sales	<u>516,764,806</u>	<u>82.5</u>	1,202,107	2.326217	4,591
<u>2005</u>					
Net Raw Water	605,252,957	100.0			
Used in Production	<u>47,973,957</u>	<u>7.9</u>			
Net Finished Water	557,279,000	92.1			
Loss in Distribution System (including hydrant)	<u>48,609,898</u>	<u>8.0</u>			
 Total Sales	<u>508,669,102</u>	<u>84.1</u>	1,065,472	2.094627	4,570
<u>2004</u>					
Net Raw Water	581,095,974	100.0			
Used in Production	<u>39,253,974</u>	<u>6.8</u>			
Net Finished Water	541,842,000	93.2			
Loss in Distribution System (including hydrant)	<u>54,370,857</u>	<u>9.4</u>			
 Total Sales	<u>487,471,143</u>	<u>83.8</u>	1,064,645	2.184016	4,561

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CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
COST PER THOUSAND GALLONS OF FINISHED WATER
LAST TEN FISCAL YEARS

TABLE 29

Year	Filtration Cost Per M Gallons	Distribution Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Operating Expenses Per M Gallons	Water Finished Billed	Cost Per M Gallons Billed
2013	\$ 950,375 2.0303	\$ 466,580 0.9967	\$ 233,307 0.4984	\$ 203,313 0.4343	\$ 1,853,575 3.9597	468,105,912 414,120,613	\$ 4.4759
2012	957,550 2.0621	449,489 0.9680	155,395 0.3346	201,195 0.4333	1,763,629 3.7980	464,352,656 430,333,577	4.0983
2011	1,007,315 1.9531	282,000 0.5468	160,696 0.3116	166,741 0.3233	1,616,752 3.1348	515,758,320 455,140,379	3.5522
2010	1,128,507 2.1271	432,482 0.8152	84,363 0.1590	202,474 0.3816	1,847,826 3.4829	530,545,000 465,407,953	3.9703
2009	1,164,881 2.0641	437,103 0.7745	63,725 0.1129	200,297 0.3549	1,866,006 3.3064	564,354,000 481,835,874	3.8727
2008	1,039,526 1.7428	401,887 0.6738	59,338 0.0995	199,669 0.3347	1,700,420 2.8508	596,486,000 522,275,138	3.2558
2007	948,844 1.5973	370,711 0.6241	55,660 0.0937	194,412 0.3273	1,569,627 2.6424	594,015,500 536,442,069	2.9260
2006	851,656 1.4846	331,522 0.5779	53,883 0.0939	196,032 0.3417	1,433,093 2.4981	573,655,700 516,764,806	2.7732
2005	801,286 1.4379	294,012 0.5276	52,332 0.0939	187,870 0.3371	1,335,500 2.3965	557,279,000 508,669,102	2.6255
2004	771,370 1.4236	287,918 0.5314	45,762 0.0845	167,356 0.3089	1,272,406 2.3484	541,842,000 487,471,143	2.6102

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
DISTRICT HEAT SALES
LAST TEN FISCAL YEARS

TABLE 30

	<u>Total Pounds</u>	<u>Percent of Total</u>	<u>Total Revenue</u>	<u>Revenue Per M Pounds</u>	<u>Steam Meters</u>
<u>2013</u>					
Steam billed to customers	-	- %	\$ -	\$ -	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2012</u>					
Steam billed to customers	-	-	-	-	-
Metered warehouse use	-	-	-	-	
Metered Power Plant use	-	-	-	-	
Loss	-	-	-	-	
Fuel cost adder	-	-	-	-	
Total steam metered to District Heat Department	-	-	-	-	
<u>2011</u>					
Steam billed to customers	3,989,000	72.0	62,639	15.7029	6
Metered warehouse use	270,000	4.9	-	-	
Metered Power Plant use	870,000	15.7	-	-	
Loss	408,000	7.4	-	-	
Fuel cost adder	-	-	19,987	3.6097	
Total steam metered to District Heat Department	5,537,000	100.0	82,626	14.9225	
<u>2010</u>					
Steam billed to customers	6,443,000	75.6	81,706	12.6814	6
Metered warehouse use	337,000	4.0	2,252	6.6825	
Metered Power Plant use	1,492,000	17.5	11,190	7.5000	
Loss	249,000	2.9	-	-	
Fuel cost adder	-	-	33,350	3.9139	
Total steam metered to District Heat Department	8,521,000	100.0	128,498	15.0802	
<u>2009</u>					
Steam billed to customers	7,483,000	49.8	86,055	11.5001	7
Metered warehouse use	433,000	2.9	4,990	11.5242	
Metered Power Plant use	1,484,000	9.9	17,146	11.5539	
Loss	5,612,000	37.4	-	-	
Fuel cost adder	-	-	37,712	2.5121	
Total steam metered to District Heat Department	15,012,000	100.0	145,903	9.7191	

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
DISTRICT HEAT SALES - CONTINUED
LAST TEN FISCAL YEARS

TABLE 30

	Total Pounds	Percent of Total	Total Revenue	Revenue Per M Pounds	Steam Meters
<u>2008</u>					
Steam billed to customers	7,521,000	78.7 %	\$ 86,501	\$ 11.5013	7
Metered warehouse use	439,000	4.6	5,049	11.5011	
Metered Power Plant use	1,384,000	14.5	15,926	11.5072	
Loss	215,000	2.2	-	-	
Fuel cost adder	-	-	62,630	6.5519	
Total steam metered to District Heat Department	9,559,000	100.0	170,106	17.7954	
<u>2007</u>					
Steam billed to customers	9,362,000	48.3	108,345	11.5728	71
Metered warehouse use	407,000	2.1	4,681	11.5012	
Metered Power Plant use	1,518,000	7.8	17,497	11.5264	
Loss	8,091,000	41.8	-	-	
Fuel cost adder	-	-	88,176	4.5503	
Total steam metered to District Heat Department	19,378,000	100.0	218,699	11.2859	
<u>2006</u>					
Steam billed to customers	16,306,000	41.1	191,304	11.7321	87
Metered warehouse use	357,000	0.9	4,166	11.6695	
Metered Power Plant use	2,276,000	5.7	26,284	11.5483	
Loss	20,696,000	52.3	-	-	
Fuel cost adder	-	-	139,487	3.5193	
Total steam metered to District Heat Department	39,635,000	100.0	361,241	9.1142	
<u>2005</u>					
Steam billed to customers	19,148,000	46.9	222,399	11.6147	104
Metered warehouse use	254,000	0.6	2,991	11.7756	
Metered Power Plant use	1,820,000	4.5	21,120	11.6044	
Loss	19,590,000	48.0	-	-	
Fuel cost adder	-	-	140,858	3.4514	
Total steam metered to District Heat Department	40,812,000	100.0	387,368	9.4915	
<u>2004</u>					
Steam billed to customers	20,242,000	42.1	237,565	11.7362	110
Metered warehouse use	247,000	0.5	2,921	11.8259	
Metered Power Plant use	1,856,000	3.9	21,604	11.6401	
Loss	25,739,000	53.5	-	-	
Fuel cost adder	-	-	109,669	2.2808	
Total steam metered to District Heat Department	48,084,000	100.0	371,759	7.7314	

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
COST PER THOUSAND POUNDS OF STEAM
LAST TEN FISCAL YEARS

TABLE 31

Year	Production Cost Per M Pounds	Distribution Cost Per M Pounds	Administrative Cost Per M Pounds	Depreciation Cost Per M Pounds	Total Operating Expenses Per M Pounds	Steam Finished Billed	Cost Per M Pounds Billed
2013	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ -
2012	- -	- -	- -	- -	- -	- -	-
2011	62,657 11.3161	602 0.1087	- -	- -	63,259 11.4248	5,537,000 5,129,000	12.3336
2010	116,599 13.6837	794 0.0932	- -	246,203 28.8937	363,596 42.6706	8,521,000 8,272,000	43.9550
2009	122,270 8.1448	654 0.0436	- -	222,305 14.8085	345,229 22.9969	15,012,000 9,400,000	36.7265
2008	164,148 17.1721	6,909 0.7228	- -	218,556 22.8639	389,613 40.7588	9,559,000 9,344,000	41.6966
2007	298,515 15.4048	2,844 0.1468	50 0.0026	28,410 1.4661	329,819 17.0203	19,378,000 11,287,000	29.2211
2006	510,224 12.8731	34,384 0.8675	12,554 0.3167	28,688 0.7238	585,850 14.7811	39,635,000 18,939,000	30.9335
2005	548,359 13.4362	46,459 1.1384	13,294 0.3257	17,933 0.4394	626,045 15.3397	40,812,000 21,222,000	29.4998
2004	418,479 8.7031	81,918 1.7036	12,671 0.2635	18,248 0.3795	531,316 11.0497	48,084,000 22,345,000	23.7778

CITY OF FAIRMONT, MINNESOTA
PUBLIC UTILITIES COMMISSION
WASTEWATER INFLOW AND COST PER THOUSAND GALLONS TREATED
LAST TEN FISCAL YEARS

TABLE 32

Year	Total M Gallons to Treatment Facility	Treatment Cost Per M Gallons	Collection Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Cost Per M Gallons	Daily Flow Gallons Minimum/ Maximum
2013	468,170	\$ 633,326 1.3528	\$ 303,052 0.6473	\$ 205,663 0.4393	\$ 638,193 1.3632	\$ 1,780,234 3.8026	890,000 3,200,000
2012	404,830	623,509 1.5402	279,944 0.6915	151,457 0.3741	630,541 1.5575	1,685,451 4.1633	840,000 3,010,000
2011	656,800	588,910 0.8966	284,448 0.4331	170,820 0.2601	609,304 0.9277	1,653,482 2.5175	990,000 6,380,000
2010	741,060	587,921 0.7934	271,987 0.3670	88,233 0.1191	621,179 0.8382	1,569,320 2.1177	1,280,000 7,310,000
2009	536,740	584,674 1.0893	293,973 0.5477	71,296 0.1328	619,184 1.1536	1,569,127 2.9234	1,040,000 2,300,000
2008	526,650	617,598 1.1727	260,666 0.4950	62,800 0.1192	613,657 1.1652	1,554,721 2.9521	1,100,000 7,450,000
2007	654,970	530,013 0.8092	267,312 0.4081	61,112 0.0933	615,847 0.9403	1,474,284 2.2509	1,150,000 15,770,000
2006	676,750	501,320 0.7408	248,060 0.3665	51,114 0.0755	203,313 0.3004	1,003,807 1.4832	1,050,000 8,540,000
2005	582,090	343,793 0.5906	269,299 0.4626	47,442 0.0815	199,225 0.3423	859,759 1.4770	900,000 8,020,000
2004	476,220	330,129 0.6932	250,746 0.5265	38,548 0.0809	173,011 0.3633	792,434 1.6639	864,000 1,800,000

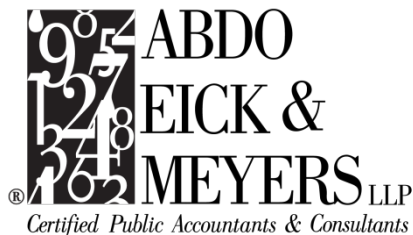
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**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF FAIRMONT
FAIRMONT, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Fairmont, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2014.

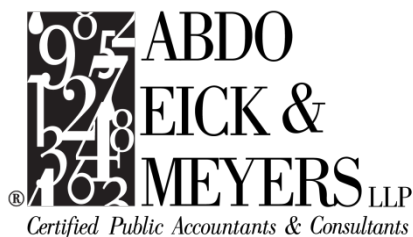
The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 23, 2014



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Fairmont, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairmont, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

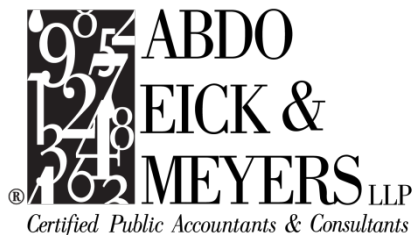
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 23, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *OMB CIRCULAR A-133*

Honorable Mayor and City Council
City of Fairmont, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Fairmont's, Fairmont, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

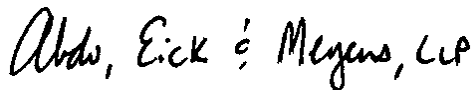
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
May 23, 2014

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Awarding Agency</u>	<u>Pass-through Entity</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Amount Expended</u>
U.S. Department of Commerce		Economic Adjustment Assistance	11.307	\$ 650,131
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants	14.228	53,827
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	3,931,734
U.S. Department of Transportation	Minnesota Department of Transportation	State and Community Highway Safety	20.600	10,800
U.S. Department of Transportation	Minnesota Department of Transportation	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	6,897
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>8,664,674</u>
	Total expended			<u><u>\$ 13,318,063</u></u>

CITY OF FAIRMONT, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of City of Fairmont, Minnesota, (the City). The City's reporting entity is defined in Note 1A to the City's financial statements. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

2. Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for the major program and modified accrual basis of accounting for nonmajor programs, which is described in Note 1B to the City's financial statements.

3. Calculation of Economic Adjustment Assistance (CFDA 11.307) Federal award program expenditures

The following is the calculation for this Federal award program's expenditures:

Balance of RLF loans outstanding at year end	\$ 528,811
Cash and investment balances in the RLF at year end	120,038
Administrative expenses paid out of RLF income during the year	1,282
Unpaid principal of all loans written off during the year	<u>-</u>
Subtotal	650,131
Federal share of the RLF	<u>100%</u>
Total expenditures	<u><u>\$ 650,131</u></u>

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

A. Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Fairmont, Minnesota (the City).
2. One deficiency was noted relating to the audit of the financial statements and is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*. Finding 2013-001 is considered a material weakness.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

1. No deficiencies were noted relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133.
2. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
3. There are no audit findings to be reported under Section 510(a) of *OMB Circular A-133*.
4. The programs tested as major programs included:

Capitalization Grants for Drinking Water State Revolving Funds

CFDA

66.468

5. The threshold used for distinguishing between Types A and B programs was \$399,542.
6. The City did qualify as a low-risk auditee.

CITY OF FAIRMONT, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

B. Findings - Financial Statement Audit

2013-001 Material audit adjustment

Condition: During our audit, a material adjustment was needed to adjust inventory in the Municipal Liquor fund.

Criteria: The financial statements are the responsibility of the City's management.

Cause: City staff had not used the correct inventory amount from the final inventory listing.

Effect: It is likely that if a misstatement were to occur, it would not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review the journal entry, obtain an understanding of why the entry was necessary and modify current procedures to insure that future corrections are not needed.

Management response:

Management thoroughly reviews journal entries prepared for the audit and asks questions throughout the year in an attempt to eliminate as many adjusting entries as possible.

Corrective Action Plan (CAP):

Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will review the prior year journal entries to determine training needs with the intent to prepare as many journals entries for the upcoming audit as possible. The City's goal is to minimize the reliance upon the audit firm in proposing audit adjustments.

Official Responsible for Ensuring CAP:

Paul Hoyer, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

Continuous

Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None noted.